

2001



Seattle City Light



Annual Report

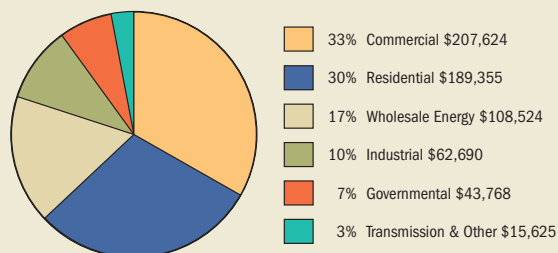
2001 HIGHLIGHTS

<i>Financial (in millions)</i>	<i>2001</i>	<i>2000</i>	<i>% Change</i>
Total operating revenues	\$ 627.6	\$ 505.6	24.1
Total operating expenses	654.8	543.6	20.5
Net operating loss	(27.2)	(38.0)	(28.4)
Investment income	13.5	9.8	37.8
Interest expense, net	(73.9)	(53.2)	38.9
Gain on sale of Centralia steam plant	-	29.6	-
Other expense, net	(1.0)	(0.2)	100+
Fees, grants, and transfers	15.3	-	-
Net loss	\$ (73.3)	\$ (52.0)	41.0
Debt service coverage, prior lien bonds	1.42	1.26	12.7

<i>Energy</i>	<i>2001</i>	<i>2000</i>	<i>% Change</i>
Total generation	3,941,388 MWh	6,683,032 MWh	(41.0)
Firm energy load	9,494,872 MWh	10,131,094 MWh	(6.3)
Peak load (highest single hourly use)	1,662 MW (February 7, 2001)	1,769 MW (December 11, 2000)	(6.0)
Average number of residential customers	322,707	316,758	1.9
Annual average residential energy consumption (includes unbilled revenue allocation)	9,454 kWh	10,473 kWh	(9.7)

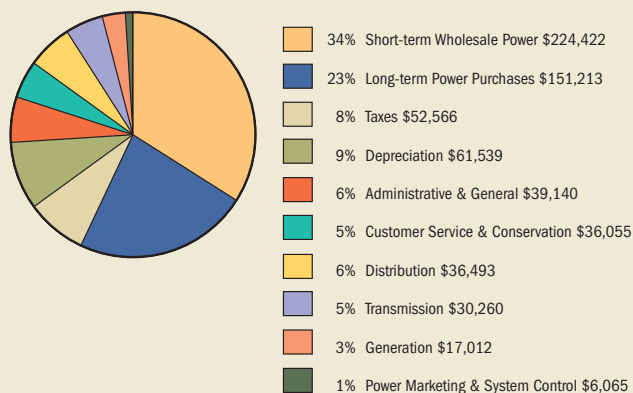
2001 Operating Revenues

(in \$1,000's = \$627,586)



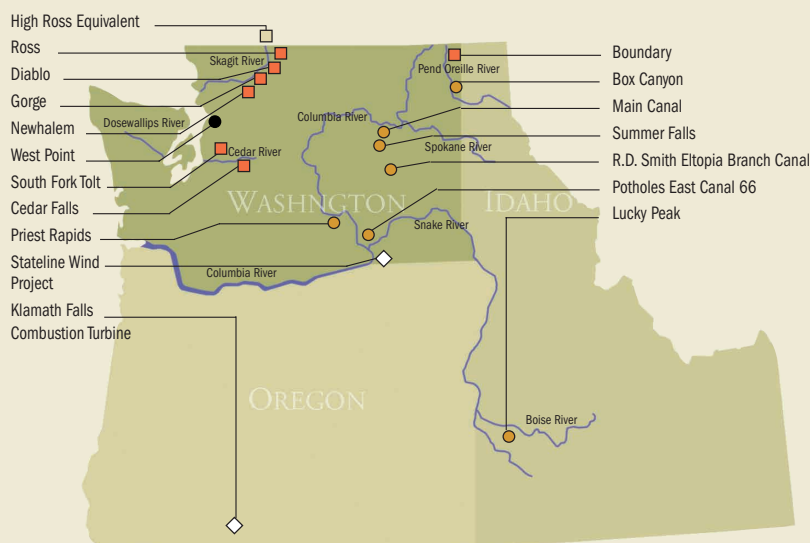
2001 Operating Expenses

(in \$1,000's = \$654,765)



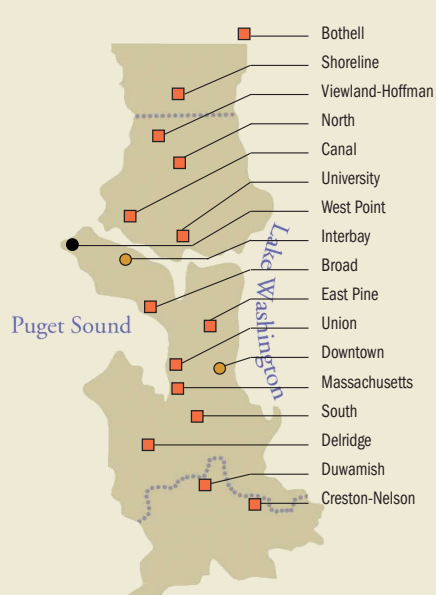
Energy Resources

- Owned Hydro
- Long-term Hydro Contracts
- Long-term Co-generation Contract
- Treaty Rights from British Columbia
- Other Long-term Contracts



Service Area

- Principal Substations
- Future Substations
- Long-term Co-generation Contract
- Seattle City Limits



AVERAGE ELECTRIC RATES FOR 25
LARGEST U.S. CITIES IN 2001
(cents/kWh)

City	Average Residential	Average Commercial	Average Industrial	Average Overall
Seattle* / Seattle City Light	5.99	5.31	5.02	5.60
Indianapolis / Indianapolis Power & Light	6.13	6.53	4.57	5.41
Memphis* / Memphis Light/ Gas & Water	6.35	5.94	3.90	5.84
Nashville / Nashville Electric Service	6.36	7.00	5.12	5.84
San Antonio* / San Antonio City Public Service***	6.80	6.30	4.77	5.93
Jacksonville* / Jacksonville Electric Utility	6.87	6.15	3.79	5.62
Denver / Xcel Energy	7.12	5.18	3.99	5.61
Charlotte / Duke Power	7.44	5.86	4.48	5.98
Columbus / Columbus Southern Power	7.53	6.34	4.87	6.45
Baltimore / Baltimore Gas & Electric	8.00	6.64	5.14	6.95
Austin* / Austin Energy**	8.10	7.38	5.62	7.24
Milwaukee / Wisconsin Electric Power Co.	8.46	6.90	4.59	6.58
Phoenix / Arizona Public Service	8.85	7.67	5.49	7.98
Detroit / Detroit Edison Co.	8.95	8.16	5.36	7.93
Dallas / Texas Utilities Electric Co.	9.00	7.71	5.70	7.80
Chicago (territory) / Commonwealth Edison Co.	9.13	7.06	4.37	7.05
Los Angeles* / Los Angeles Dept. of Water & Power	10.00	9.60	8.20	9.50
Houston / Reliant Energy HL&P	10.33	8.66	5.94	8.00
El Paso / El Paso Electric Co.	11.15	10.33	6.11	9.27
Philadelphia / PECO Energy	11.30	10.04	6.49	8.84
San Francisco (territory) / Pacific Gas & Electric Co.	12.50	12.68	7.78	11.58
San Jose (territory) / Pacific Gas & Electric Co.	12.50	12.68	7.78	11.58
San Diego / San Diego Gas & Electric	12.89	12.34	11.63	12.42
New York / Consolidation Edison Co. of NY	18.08	15.69	14.35	16.56
Boston / NSTAR Electric/Boston Edison Co.	NA	NA	NA	NA
U.S. Average: Estimated	8.48	7.76	5.02	7.16

*Publicly owned

**Austin's average rates are for the period Oct. 2000-Sept. 2001.

*** San Antonio's average rates for Feb. 2001-Jan. 2002.

Sources: 1. Investor-Owned Utilities: Typical Bills and Average Rates Report, Edison Electric Institute, Winter 2001. 2. Publicly Owned: Information from each utility. 3. U.S. Average: U.S. Dept. of Energy.

Mission Statement

Seattle City Light is in business to sustain and enhance the community's quality of life by providing excellent energy services to our customers and to be the most customer-focused, competitive, efficient, innovative, environmentally responsible utility in the United States.

Superintendent's Letter

On March 4, 1902, Seattle voters took a bold step by approving bonds to build a hydroelectric power plant on the city's newly established Cedar River watershed to supply electricity for street lights. At the time, the Seattle Electric Company, then a tentacle of the national Stone & Webster cartel and a distant ancestor of today's Puget Sound Energy, was the dominant private electrical utility and owned or controlled most of the city's streetcar and interurban lines.

Guided by a young but indomitable engineer named James D. Ross, the new utility powered its first street lights on January 10, 1905, and began serving private customers by the following September. Such competition precipitated an unavoidable clash with private interests, which pursued an aggressive media and political campaign against public power for decades to come.

City Light became an independent municipal department in April 1910 and went on to establish a record of innovation and efficiency envied around the world. It developed an extraordinary hydroelectric resource on the Upper Skagit River beginning in 1919 and, in 1967, on Northeastern Washington's Pend Orielle River. City Light acquired the last private electrical assets and customers within the Seattle city limits in 1950 and became a partner with utilities, public and private, throughout the region to develop a model system for generating, distributing, and managing electricity for the greater public good.



The utility survived two world wars, fierce competition, and innumerable swings in the local, state, and federal political climate. Mistakes were made, and a few disasters were narrowly avoided – such as a substantial investment in nuclear power – but City Light emerged from every challenge smarter and stronger.

Nothing, however, prepared us for 2001, truly a year in which all of the rules changed. We thought we had weathered the “perfect storm” of 2000, when California's disastrous experiment in deregulation and the cynical manipulations of Western energy markets by Enron and other profiteers combined with a record Pacific Northwest drought to send energy prices soaring. But 2001 proved far worse.

We were not alone in our travails, of course. The largest utility in the West was driven into bankruptcy. Whole industries were shut down. Some utilities watched as their major industrial customers closed up shop, other utilities stranded salmon, others took on high cost, long-term contracts that would burden them and their customers for many years.

None of those things happened at City Light. Our lights stayed on, we had a strong salmon year on the Skagit, and our major customers continued to operate. But at a cost.

Among all the frustrations of this remarkable year, two stand out. The year 2001 was to be the year we implemented a plan approved by the Seattle City Council in 2000 that would reduce the impact of

weather on our power supply and put in place more conservative financial planning parameters. By October of 2001, the plan was in place, allowing us to meet our customers' needs with our own resources even in the worst water conditions. But the storm hit before our preparations were complete. The other frustration was with the stewards of the marketplace, the Federal Energy Regulatory Commission (FERC). In the face of the obvious, in the face of the recommendations of their own staff, the FERC failed to provide the regulatory oversight that would have saved customers billions of dollars and many thousands of jobs throughout the West.

City Light survived this crisis thanks to steadfast support from its elected supervisors, the Mayor and City Council of Seattle, thanks to the skill and resilience of its workers, and thanks to an unparalleled commitment to extraordinary conservation measures by customer-owners.

This annual report offers what we believe is a candid and accurate chronicle of the year's unprecedented events and City Light's responses. While we are still assimilating the experiences described here and making necessary adjustments in utility policies and practices, there is no question of City Light's fundamental soundness and reliability as we move into our second century.



Gary Zarker
Superintendent
Seattle City Light



2001 Highlights

January 2001

Successful "Save 10% at home and at work" conservation program is launched to reduce wholesale energy purchases.

February 28, 2001

Nisqually earthquake shakes Puget Sound but barely affects City Light facilities and services.

April 2001

Consolidated Customer Service System goes "live."

June 2001

FERC caps wholesale energy prices too late to blunt cost impacts.

July 2001

Klamath Falls gas-fired plant begins generating 100 MW for Seattle.

September 11, 2001

Terrorist attacks on the United States intensify utility security efforts.

October 2001

BPA begins delivery of power under Seattle's new 10-year contract.

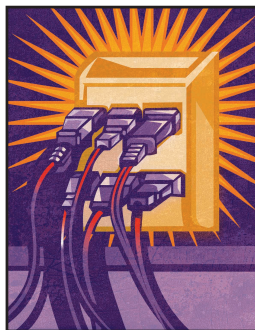
November 2001

Rainfall and snow pack exceed normal levels while national economy slips into a recession.

December 2001

Seattle enters contracts to become the largest municipal utility purchaser of wind power in the United States.

Introduction



By mid-2000, however, City Light found itself at ground zero in the collision of three unique factors...

Two thousand one will be remembered as the year all the rules changed. The tragedy of September 11 showed the world that unimagined events could indeed occur, and on a vast and horrific scale. For City Light, 2001 was the year when decades of conventional utility practice and assumptions collapsed amid the chaos of the western energy crisis, the costliest electrical energy event in the nation's history.

Beginning in the mid-nineties, the pace of electric deregulation accelerated, especially in California. City Light and other

utilities then took precautions against stranded investment – contracts and financial commitments that could not be recovered at anticipated future rates. Among those strategies

was a 65 average megawatt reduction of its purchases from the Bonneville Power Administration, a quarter of its contract entitlement. This meant more reliance on the market, which was less expensive at the time. With normal precipitation in the Pacific Northwest, City Light planners reasonably anticipated that the utility could generate most of the power its customers would need and sell seasonal surplus energy to other utilities. City Light also maintained its long-term commitment to environmental stewardship by keeping its robust conservation program and through promotion of renewable energy sources.

By mid-2000, however, City Light found itself at the center of a collision of three unique factors: a contrived shortage of electricity in California that forced spot

market prices to astronomical levels, a low-water year that robbed Seattle of both the power it needed for the winter and the surplus it sold in the summer, and the persistent refusal of the Federal Energy Regulatory Commission (FERC) to police the western energy market. All these events combined to leave the utility with a record net loss of \$52 million. We called it a “perfect storm” at the time, but worse turbulence lay ahead in 2001.

In November 2000, the FERC staff told its commissioners that the markets were dysfunctional and prices were neither just nor reasonable, the standard the agency is required to enforce. Unfortunately, the FERC refused to do its regulatory job. By the end of 2000, City Light's net expense for needed extra power soared to \$104 million. In California, the situation was even worse. State government stepped in to buy power with taxpayer money as its major utilities ran out of cash. Seattle struggled, but kept its lights on.

The cost of keeping the lights on was heavy. The Seattle City Council took the courageous, but unpopular step of raising rates in January, March, and July, as well as passing through an additional increase by the Bonneville Power Administration in October of 2001.

To reduce purchases from the market, City Light's residential and commercial customers rallied to the utility's call to conserve an additional 10 percent “At Home and At Work.” This reduced consumption saved as much as \$80 million for energy purchased in 2001.

The Manufactured Energy Crisis

Seattle City Light's experiences cannot be separated from others in the West. Over the years, the Golden and Evergreen states developed a symbiotic relationship in which seasonal surpluses were exchanged - City Light bought California power in the winter and sold excess power in the summer. It was an efficient and effective arrangement.

Even as the economic recovery of the roaring nineties was increasing demand in the West, reserves in the marketplace were still as strong as they had been at any time in the decade. But the market acted as if there was little energy available.

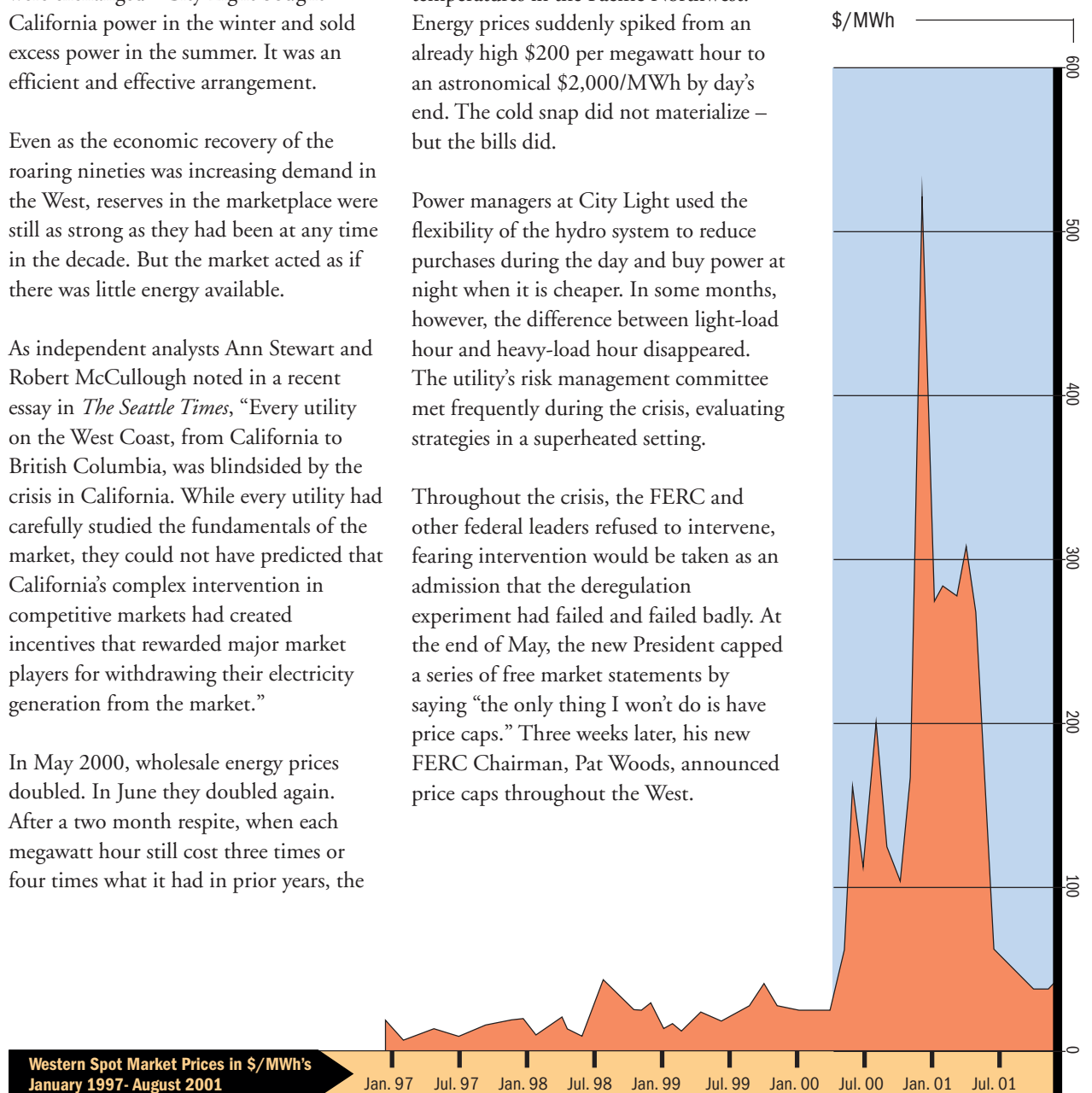
As independent analysts Ann Stewart and Robert McCullough noted in a recent essay in *The Seattle Times*, "Every utility on the West Coast, from California to British Columbia, was blindsided by the crisis in California. While every utility had carefully studied the fundamentals of the market, they could not have predicted that California's complex intervention in competitive markets had created incentives that rewarded major market players for withdrawing their electricity generation from the market."

In May 2000, wholesale energy prices doubled. In June they doubled again. After a two month respite, when each megawatt hour still cost three times or four times what it had in prior years, the

price shot up to 10 times historic levels. The volatility of the market was dramatized in December when cable television's Weather Channel broadcast an erroneous daily forecast for subzero temperatures in the Pacific Northwest. Energy prices suddenly spiked from an already high \$200 per megawatt hour to an astronomical \$2,000/MWh by day's end. The cold snap did not materialize – but the bills did.

Power managers at City Light used the flexibility of the hydro system to reduce purchases during the day and buy power at night when it is cheaper. In some months, however, the difference between light-load hour and heavy-load hour disappeared. The utility's risk management committee met frequently during the crisis, evaluating strategies in a superheated setting.

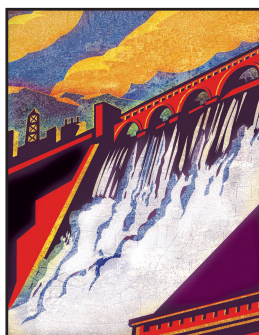
Throughout the crisis, the FERC and other federal leaders refused to intervene, fearing intervention would be taken as an admission that the deregulation experiment had failed and failed badly. At the end of May, the new President capped a series of free market statements by saying "the only thing I won't do is have price caps." Three weeks later, his new FERC Chairman, Pat Woods, announced price caps throughout the West.



Nature Takes a Hand

At 82 percent of its generation, City Light has the highest percentage of hydropower in the region. City Light planners use October as the beginning of the water year. The water year that began in October 2000 started badly and soon got worse. Despite predictions for normal precipitation, it was clear by mid-December that the region was in a drought. City Light's wholly-owned hydro production would be cut in half.

If the shocks from the energy market and from world events were not enough to rock Seattle, the Nisqually Earthquake of February 28, 2001, certainly did.



In keeping with City Light's policy of "Fish First," power managers maintained minimum stream flows to protect salmon habitats along the Skagit. During the crisis, City Light managers released enough water to insure that redds (shallow water nests of salmon eggs) were kept wet. These actions saved one of the strongest runs of endangered King Salmon in many years.

Across the state, at Boundary Dam on the Pend Oreille River, sharply reduced releases from federal dams upstream meant that only one of the dam's six turbines was in use.

If the shocks from the energy market and from world events were not enough to rock Seattle, the Nisqually Earthquake of February 28, 2001, certainly did. The 6.8 temblor – the strongest in the Puget Sound region since 1949 – damaged many older buildings in Seattle, but had no effect on power houses, generation

stations, and dams. The distribution system suffered outages affecting only 19,000 customers, mostly properties built on landfill in Seattle's south end. Almost all service was restored by midnight. Total damage to City Light facilities was approximately \$250,000, compared to more than \$1 billion in earthquake damage around Puget Sound.

In November 2001, the rains returned at last. Steady precipitation continued into December and January promising an above-normal water year for 2002. But for City Light, as with the rest of the world, nothing would ever be "normal" again.

Power Supply

The crisis came as City Light was changing its resource mix in profound ways. It contracted for power from a clean-burning gas generator in Southern Oregon in July of 2001 and a large wind farm near Walla Walla at the end of the year, to go with a new contract with the Bonneville Power Administration. It complemented these resources with new planning concepts to manage the new mix.

Beginning on July 29, 2001, Seattle began receiving the energy output of 100 MW of capacity from the Klamath Falls gas-fired power plant under a five-year contract, renewable for five additional years. This 500-megawatt plant was developed jointly by the City of Klamath Falls and PacifiCorp Power Marketing of Portland. Klamath Falls is in southern Oregon, with

good access to natural gas pipelines and the main electrical transmission line between California and the Northwest. The plant also incorporated greenhouse gas mitigation strategies. It replaced the 80 aMW lost when the coal-fired Centralia plant was sold more than a year before.

In October, Seattle began a new contract with the Bonneville Power Administration. City Light and other power generators had long negotiated for a “slice” of the federal hydroelectric system. Seattle’s slice of the system is 4.6676 percent of the power generated by BPA. The actual amount of power will fluctuate, depending on rainfall. City Light will pay the same percentage of BPA’s system costs, including any budget overruns and debt payments to the U.S. Treasury. City Light accepts some risk of reduced power output caused by fish-protection measures on the Columbia River system. This sharing of risk with BPA also entitles City Light to enjoy any system benefits. For example, City Light will be able to market any surplus energy associated with its percentage of the system.

The contract also gives City Light a “block” of BPA power. A block is a firm amount of power shaped (or scheduled) to a monthly net requirement. Under the block and slice contract, City Light will buy 493.8 average megawatts for the first five years of the contract and 608.2 average megawatts for the second five years. The contract runs until 2011. Based on price forecasts, the contract could save City Light millions of dollars compared to purchasing power from the wholesale market.

By the end of 2001, Seattle had completed its contracts for purchase of the State Line Wind Project. The State Line project consists of 399 windmills built by Vesta in Denmark and erected by FPL Energy in Walla Walla County, Washington, and Umatilla County, Oregon. City Light will receive the energy output from 50 MW of wind-generated power during the first six months of 2002, increasing to 100 MW later in the year. Seattle is now the largest municipal utility purchaser of wind power in the nation.

The net effect of these decisions is that City Light can meet its load in almost all months under poor water conditions with resources it controls. Not only does this protect against future drought, but it produces surpluses in good water conditions that can be sold in the marketplace. Combined with more conservative financial policies, the result is that the utility will pay back its energy crisis debt more quickly and move to lower and more stable rates in the future.

In addition, City Light’s efforts to meet the challenge of mitigating all of its CO₂ emissions attributable to generation is leading to growing expertise in the field of greenhouse gas mitigation. A project to identify and pursue mitigation strategies is well underway. The experience gained during this process will become a best practice for utilities around the country.



Getting More from Less

Residential and commercial customers responded enthusiastically to achieve the 10 percent conservation goal. These actions averted the necessity to buy upwards of \$80 million of electricity in the market.



Since 1976, conservation has been part of Seattle's energy policy. The conservation accomplishments of many years combined in 2001 to save ratepayers significant amounts of money. All of those measures in place represented expensive power that did not have to be purchased.

To further reduce market purchases in the crisis year, City Light asked its customers to provide immediate help by cutting back on energy use. The utility enlisted local television meteorologists in a special media campaign urging citizens to "Save 10% At Home and At Work." Residential and commercial customers responded enthusiastically to achieve the 10 percent conservation goal. These actions saved upwards of \$80 million worth of market electricity.

CITY LIGHT HELPED ITS CUSTOMERS SAVE POWER AND REDUCE THEIR LIGHT BILLS IN OTHER WAYS BY:

- Distributing compact fluorescent light bulbs (CFLs) to thousands of its customers. A special mailing to customers included coupons to order more efficient bulbs that consumed a third of the electricity of regular incandescent bulbs. A remarkable 57 percent of City Light's customers responded, ordering 360,000 bulbs. Another 30,000 bulbs were distributed directly to the Seattle Housing Authority. City Light also partnered with the Seattle Police Department's Block Watch program, "Night Out," to distribute 20,000 bulbs in a single summer evening.
- Partnering with Pepsi and local vending machine companies to install 5,000 VendingMisers. These devices "power down" refrigerated vending machines when they are not needed while still preserving food safety and quality. CocaCola has joined the program and savings will increase in 2002.
- Promoting the 10+10 Program. This program created an additional percent incentive for City Light's commercial and industrial customers whose projects could come on line during the energy crisis.
- Continuing to develop the Seattle Energy Code with the Department of Design, Construction and Land Use to increase energy efficiency in new construction. The City Council adopted the energy code in September 2001.
- Becoming a role model for energy-efficient construction. The City Council adopted the Sustainable Building Policy in 2000 and pledged to meet the U.S. Green Building Council's LEED (Leadership in Energy and Environmental Design) standard. City-built construction and remodeling projects of more than 5,000 square feet will use "green" materials and techniques that meet the LEED "silver" rating. The City of Seattle wants to provide incentives to private developers to use more sustainable materials and techniques and City Light is developing programs to offer to the private sector.
- Reducing carbon dioxide emissions equivalent to removing 7,800 vehicles from the road.

Dedication and Innovation

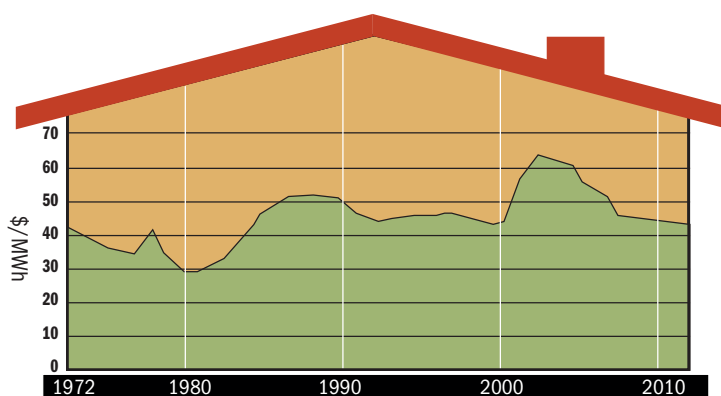
- Helping its larger commercial and industrial customers maximize energy efficiency by launching Seattle MeterWatch in July. MeterWatch is a Web-based program that allows building managers to monitor their electricity use every 15 minutes by computer. Large commercial and industrial customers use office computers to dial in to City Light and monitor their energy consumption. The managers tailor the reports to their own needs. Two-thirds of downtown's largest buildings and more than a third of the largest users outside of downtown can access real-time data on their electricity usage and adjust consumption as they choose.
- Continuing its many other programs that assist customers in trimming their power bills. Large and small commercial customers received rebates for purchase of energy-efficient equipment such as coin-operated laundries in apartment buildings, lighting upgrades and even manufacturing equipment in larger facilities.
- Reaching an agreement in 2001 with the Bonneville Power Administration to receive approximately \$27 million for conservation projects over the next two years.

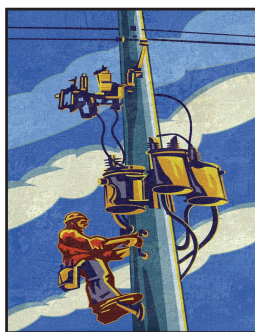
The economic downturn nationwide, particularly in the high tech industry, meant that the expected demands of new large customers did not materialize. Plans for electricity-intensive installations such as data centers – called server farms and telco hotels – were canceled, delayed, or reduced. These decreases in expanding services helped reduce expenditures for new service at a critical time.

Since 1905, when City Light first turned on the lights in Seattle, the utility has assembled cohesive and skilled groups of trades workers who have kept those lights on. In the early days, line workers took every opportunity to recruit new customers to the fledgling system. A century later, City Light crews still respond when a customer needs assistance. Whether working in underground vaults or high over head, City Light's diverse workforce achieved the goals for system reliability. Despite the earthquake and several storms late in November, the average customer was without power less than one hour over the entire year.

In 2001, the City of Seattle became a role model for energy-efficient construction. The City Council adopted the Sustainable Building Policy in 2000 and pledged to meet the U.S. Green Building Council's LEED (Leadership in Energy and Environmental Design) standard.

Seattle City Light
Electricity Cost,
Inflation Adjusted





After the terrorist attacks on September 11, security assumed a new importance. City Light had to reexamine its approach to public access.

In the face of numerous challenges, natural and financial, City Light crews kept the turbines and generators turning. At Boundary, the rehabilitation of Unit 52 was completed, the fifth of six huge generators to be reworked. This 12-year, \$131 million project is being accomplished largely in-house by City Light staff.

When City Light first started building its hydro facilities in 1902, construction workers and City Light employees were housed in self-contained towns built just for that purpose. Cedar Falls, Newhalem, and Diablo later evolved into distinct communities. When construction began for Boundary Dam in the 1960s, City Light changed this approach and relied upon the nearby town of Metaline Falls to house its people. The utility wanted to be a good neighbor and City Light contributed to new and improved roads, a high school, a medical facility, and other municipal services. This tradition continued in 2001 when City Light completed a fiberoptic link between the dam and the Power Control Center in Seattle. The line was expanded to schools and libraries in Metaline Falls to tap directly into the Internet. Students and library patrons can now use the Information Superhighway as conveniently as in any “wired” metropolitan area.

In December, crews at the Tolt Powerhouse replaced a broken waterwheel that had kept the plant running at half its capacity. All of the construction was handled in-house, and it demonstrated City Light’s tradition of dedication and teamwork between the staffs in power generation and engineering. By the end of the year, the Tolt was producing electricity at its designed capacity of 16 MW.

After the terrorist attacks on September 11, security assumed a new importance. City Light had to reexamine its approach to public access. The popular tours of the Upper Skagit Hydroelectric Project that began in the 1920s were suspended, the first time since World War Two. Increased security throughout the community has affected the way City Light employees access customer properties for such things as repairs and maintenance and reading meters. Like the rest of the community, City Light changed while still going about its daily business.

Saving Salmon and More

City Light’s policy of Fish First continued to produce results in 2001. Managers resisted the temptation to use water to turn generators when energy prices were high in order to insure that sufficient water was available to protect salmon egg nests, called redds, in shallow water. The fragile redds must remain just below the surface for eggs to hatch into juvenile salmon, and water that is too deep or runs too quickly can easily wipe out the nests and a generation of fish.

More than two million Pink Salmon returned to the Skagit in 2001, up from 300,000 a decade before. The 2001 adult Chinook return ran almost 15,000, three times the 10-year average. As a demonstration of the complexity of the Skagit ecosystem, the increase in the salmon runs caused an upswing in the population of the endangered American Bald Eagle, which feed on the spawned-out carcasses. At one time this symbol of our nation was near extinction. Today, the Skagit hosts the largest population of Bald Eagles in the continental United States.

City Light's efforts at restoring salmon runs were years ahead of the federal listing of salmon as a threatened species. Today, more than three quarters of the Skagit's salmon spawn within the 25 miles of river affected by dam flow. City Light purchased 78 additional acres in four parcels on the Skagit and the Tolt rivers that will be preserved from development and improved to provide safe drainages and clean stream beds where fish can spawn. Illabot Channel, a key Chum Salmon spawning area, was extended 1,400 feet. In the Skagit Basin, City Light now owns more than 8,000 acres of protected habitat. In North King County, the Tolt River is being reconnected to its historic course by moving back flood control levees. The wider flood plain will still provide protection from high water while increasing riparian habitat.

Ross Lake in the Skagit Project contains what is probably the healthiest Bull Trout population in the Northwest. Bull Trout

are a resident fish, but much remains unknown about them. City Light researchers have begun a long-term project to learn more about this species and this particular population and hope that the research will help this species in other waters where it is not doing as well.

At Seattle's first hydro plant near Cedar Falls, work continued on the Cedar River Habitat Conservation Plan. Seattle first tapped the Cedar in 1900 for drinking water and then in 1905 for electricity. City Light and Seattle Public Utilities have been working to restore salmon habitat on the Cedar. Even though fish cannot yet pass the Landsberg Dam to the Cedar Falls hydro plant, City Light is preparing for the day that will happen. The plant is being modified to insure that hydro operations will not adversely affect the fish.

Closer to home, City Light day-to-day operations have also gone green. City Light is a large industrial operation that uses fuels, solvents, paints, and other chemicals. Ten years ago, the utility generated more than 100,000 pounds of hazardous wastes that had to be treated, stored, or disposed of. By using less hazardous materials in its operations, reducing waste, and by recycling, this figure has dropped to 16,000 pounds a year, saving customers money and improving the health of the environment.

At one time, the nation's symbol was near extinction. Today, the Skagit hosts the largest population of Bald Eagles in the continental United States.



Serving Customers

One of the original goals of Seattle's Municipal Lighting Plant was to bring the benefits of electricity to all. In this year of rate increases, City Light enhanced its traditional rate assistance programs to keep electricity flowing to customers who can least afford it.

Along with expanding eligibility for low income rate assistance, the City Council added money for outreach, helping to increase participation particularly among elderly. More than 60 percent of seniors who qualify actually take advantage of rate assistance. The council also decided to match contributions to Project Share. Started in 1984 during the last major electrical crisis in the Northwest, Project Share accepts donations from customers who add a few dollars to their bills every two months. These donations help defray the bills of less fortunate members of the community. In April, the City Council voted to match the first \$400,000 contributed by the community. By the end of 2001, Project Share raised \$371,508 in gifts, all of it matched by the council, from customers. Nearly 2,000 customers benefited.



This year City Light replaced its aging customer account and billing system with the Consolidated Customer Service System. CCSS is a joint effort by City Light and Seattle Public Utilities to bring together all of Seattle's municipally-owned utilities – electricity, water, and solid waste – into a single customer database. This was an immense project which involved dissimilar services in separate departments and approximately 700,000 customers. Planning, development, and testing took four years and \$40 million.

On April 2, 2001, the new system went “live.” The conversion not only endured the predictable challenges of any computer changeover, but had to accommodate three overlapping customer databases, the disparate pricing structures of three departments, and 10 different rate changes.

SUMMARY OF FINANCIAL RESULTS IN 2001

City Light's financial results in 2001 were severely impacted by poor water conditions in the Northwest region and high prices in the wholesale electricity market in the Western United States. Due to low rainfall and streamflows in the watersheds supplying the Department's hydroelectric resources, the Department was required to purchase large amounts of energy in the wholesale market through September 2001 in order to serve its retail customers. Prices in the wholesale market through May 2001 were at extraordinarily high levels throughout the Western region. The Department's need to purchase wholesale energy diminished in the second half of the year, as contracts for the purchase of additional power from the Klamath Falls Cogeneration Project and the Bonneville Power Administration took effect. The Department raised rates four times in 2001 to deal with the financial effects of its high power costs. However, the additional revenue from these rate increases offset only a portion of the increase in power costs. The Department therefore experienced a net loss of \$73.3 million for the year after deferral of \$300 million in excess power costs from 2001 to future years.

OPERATING REVENUES

Retail Power Revenues. Revenue from sales of energy to retail customers in the Seattle service area totaled \$503.4 million in 2001, an increase of 28.6 percent over the \$391.6 million in revenue recorded in 2000. This increase occurred in spite of the fact that the quantity of energy delivered to retail customers in the service area actually declined by 5.1 percent from the 2000 level. Consumption of electricity declined in response to rate increases, the Department's campaign for reduction of energy use, and the regional economic recession. Rates were increased four times in 2001. Average rates increased by 9.8 percent on January 1, 18.0 percent on March 1, 9.3 percent on July 1 and 10.3 percent on October 1. The first three increases were required in order to offset the effect of high purchased power costs. The final increase passed through to customers the financial effects of increases in Bonneville power rates on October 1, 2001, as mandated by the City Council.

Wholesale Power Sales. Wholesale power revenues include revenue from short-term sales to utilities and other wholesale market participants, the valuation of power delivered under seasonal exchanges, and other energy credits. Revenue from sales of energy in the wholesale market fell from \$103.1 million in 2000 to \$75.3 million in 2001, a decrease of 26.9 percent. The quantity of energy sold was 78.9 percent lower in 2001 than in the preceding year. The decrease in energy sold was offset by an increase in the average sales price, from \$46.04 per MWh in 2000 to \$161.90 in 2001. The value of energy delivered to other utilities under seasonal exchange contracts and other energy credits totaled \$33.2 million in 2001, a substantial increase from the \$5.1 million recorded in 2000. This increase was in part due to a change in the method of calculating the value of energy delivered under exchange contracts.

Transmission and Other Revenues. Transmission and other revenues include revenue from basis sales, from the rental of utility properties, from the sale of transmission rights, and from miscellaneous fees and charges. Revenue in this category increased from \$5.9 million in 2000 to \$15.6 million in 2001. Basis sales involve the simultaneous purchase

and sale of power at different geographical points with a result that is equivalent to the transmission of power from the point of purchase to the point of delivery. Valuation of the delivery side of basis transactions in 2001 amounted to \$6.9 million, an increase of \$6.4 million over the 2000 level. Rental of transmission lines to the Bonneville Power Administration (BPA) generated \$1.3 million in 2001, an increase of \$0.6 million from 2000. Revenue from the sale of transmission rights provided an additional \$1.5 million in 2001, or \$0.6 million more than in 2000. Miscellaneous fees and charges brought in \$5.9 million in revenue in 2001, compared with \$3.8 million in 2000.

In summary, total operating revenue increased from \$505.6 million in 2000 to \$627.6 in 2001. By far the largest part of this increase was a result of rate increases enacted in 2001.

OPERATING EXPENSES

Operating Expenses increased from \$543.7 million in 2000 to \$654.8 million in 2001, an increase of \$111.1 million, or 20.4 percent. Increases in costs related to long-term purchased power contracts account for three-quarters of the increase. Significant increases also occurred in short-term wholesale power purchases, transmission expenses, customer service costs, and taxes. A decline in generation costs partially offset the growth in these categories.

Long-Term Purchased Power. The cost of power purchased under long-term contracts with other utilities increased from \$79.3 million in 2000 to \$151.2 million in 2001, an increase of \$71.9 million, or 90.7 percent. On July 29, 2001 the Department began to receive power from the Klamath Falls Cogeneration Project under the terms of a contract that took effect on July 1, 2001. Power delivered from this project cost \$18.4 million in 2001. Purchases of power from BPA under a new contract effective October 1, 2001 increased significantly from 195 average MW under the former contract to 502 average MW in the fourth quarter of 2001. The rates charged by Bonneville for this power under the new contract were also higher because Bonneville had exercised its right to increase rates to cover the increase in its costs resulting from poor water conditions and high wholesale prices. As a result, the cost of power purchased from BPA increased from \$34.4 million in 2000 to \$66.8 million in 2001. The value of energy delivered to City Light under seasonal exchanges increased from \$6.4 million in 2000 to \$28.0 million in 2001, largely as a result of a change in the method of valuing the energy received. The cost of power purchased under other long-term contracts fell slightly, from \$38.5 million in 2000 to \$38.0 million in 2001.

Wholesale Power Purchases: Short-Term. Poor water conditions in 2001 required City Light to purchase large amounts of energy in the wholesale market at elevated prices. City Light incurred costs of \$520.4 million in purchasing power in the wholesale market in 2001, an increase of \$308.4 over the 2000 level of \$212.0 million. The average price paid for the 2,411,210 MWh of power purchased in 2001 was \$215.15 per MWh. In 2000 City Light paid an average of \$86.47 for 2,451,348 MWh of wholesale power. In addition, the Department paid \$4.0 million to large industrial customers for voluntary curtailment of consumption during the period of high market prices in 2001, compared to \$0.4 million in 2000.

In May 2001 the City Council authorized the Department to defer a portion of the cost of wholesale power purchases in 2001 and to amortize the deferred costs in future years. Accordingly, excess power costs in the amount of \$300 million have been deferred from 2001 to future years. Because of the deferral, only \$224.4 million of wholesale power costs are shown as an expense in 2001.

Transmission. Transmission expense grew from \$21.7 million in 2000 to \$30.3 million in 2001, an increase of \$8.5 million, or 39.3 percent. The valuation of the purchase side of basis transactions accounts for \$4.4 million of this increase. The cost of transmission services under contracts with BPA increased by \$3.1 million from 2000 to 2001. The Department contracted for an additional 650 MW of transmission capacity from BPA, effective October 1, 2001, to accommodate the higher amount of power available under the new power sales contract with BPA. In addition, BPA's transmission rates increased by 24.3 percent on October 1, 2001.

Customer Service. The cost of customer services rose from \$22.2 million in 2000 to \$27.5 million in 2001, an increase of \$5.3 million. Bad debt expense increased by \$1.9 million, reflecting the economic slowdown in the Puget Sound region and the increases in City Light's rates in 2001. The implementation of the City's new Consolidated Customer Service System for City utilities accounted for an additional increase of \$1.4 million from the 2000 level. Expense for media advertising, primarily to encourage curtailment of consumption during the period of high wholesale market prices in 2001, increased by \$1.3 million over 2000. Other customer service expenses grew by \$0.7 million.

Generation. Operating and maintenance expenses for the Department's generating resources decreased from \$25.7 million in 2000 to \$17.0 million in 2001, a decrease of \$8.7 million. The sale of the Department's 8 percent share of the Centralia Steam Plant in May 2000 accounts for \$7.1 million of the decrease. Hydroelectric operations and maintenance expenses declined by \$1.6 million from 2000 to 2001, due in part to a credit for prior-year administrative charges paid to the Federal Energy Regulatory Commission and to lower operating costs at the South Fork Tolt Project.

Taxes. Tax expense was \$52.6 million in 2001, an increase of \$9.7 million from the 2000 level. Taxes paid to the City of Seattle and the State of Washington account for most of the growth in this category. State and City taxes are levied as a percentage of gross revenue. The increase in tax payments parallels the increase in revenue.

Other Operating and Maintenance Expenses. Increases in the value of the Department's plant and equipment, including the new customer billing system, resulted in an increase of \$6.0 million in depreciation expense, from \$55.5 million in 2000 to \$61.5 million in 2001. Distribution expenses increased from \$34.5 million in 2000 to \$36.5 million in 2001. Administrative and general expenses, net of amounts allocated to capital projects, rose from \$37.0 million to \$39.1 million. Both of these increases reflect a reduction in the level of activity in the Capital Improvement Program, which resulted in a corresponding shift of costs to operating activities and a lower allocation of administrative and general expenses to capital projects. Conservation costs increased from \$7.0 million to \$8.5 million, reflecting an increase in the amortization of past conservation investments. Power marketing and system control expenses increased from \$5.5 million in 2000 to \$6.1 million in 2001.

NON-OPERATING REVENUES (EXPENSES)

Interest Expense and Amortization of Debt Expense. Debt-related expenses, including interest and the amortization of debt expense, increased from \$53.2 million in 2000 to \$73.9 million in 2001, reflecting interest expensed on bonds and notes issued in 2000 and 2001. In December 2000, the Department issued \$98.8 million in long-term bonds at an effective interest rate of 5.30 percent to finance capital requirements. In March 2001, the Department issued an additional \$503.7 million in long-term bonds at an effective interest rate of 5.08 percent to finance capital expenditures and refinance certain outstanding bonds. In the following month, \$182.2 million in two-year revenue anticipation notes were issued at an effective interest rate of 3.84 percent to fund the anticipated deficit in the Department's operating cash flow. Interest costs on these issues were partially offset by the effect of the March 2001 refunding of \$125.1 million in outstanding bonds. Also, \$9.8 million in interest costs on the March 2001 long-term bond issue was paid from bond proceeds rather than from current revenues.

Investment Income. Investment income of \$13.5 million in 2001 exceeded the 2000 level of \$9.8 million by \$3.7 million. The increase is attributable to interest earnings on the investment of the unused proceeds of the March 2001 first-lien bond issue, partially offset by interest on borrowing from the City's cash pool. As of December 31, 2001, \$161.7 million of bond proceeds remained in the Construction Account. At various points in 2001, the Department's operating cash balance in the City's cash pool was negative. Interest expense related to the Department's negative balances offset interest earnings on the Construction Fund and the Bond Reserve Account. In December 2001, the City Council authorized a loan of \$110.0 million from the cash pool to cover the negative balances. As of December 31, 2001 the outstanding balance on the loan from the cash pool was \$100.0 million.

Gain on Sale of Centralia Steam Plant. In 2000 the Department recorded a gain of \$29.6 million from the sale of its 8 percent share of the Centralia Steam Plant. There was no comparable transaction in 2001.

FEES, GRANTS AND TRANSFERS

As required by GASB Statement No. 33, in 2001 the Department began reporting non-exchange transactions as revenues on the operating statement. Fees, grants and transfers in 2001 amounted to \$15.3 million. Capital fees, previously reported in equity, as contributions in aid of construction, constitute the main component of this category. In 2001 capital fees, mainly in the form of construction charges, were \$12.5 million. Operating grants from the state and federal governments, primarily to support conservation and renewable investments, and a transfer from the City of Seattle to fund conservation programs and support for low-income customers totaled \$2.8 million.

NET INCOME (LOSS)

The Department recorded a net loss of \$73.3 million in 2001 versus a net loss of \$52.0 million in 2000. Equity as of December 31, 2001 was \$300.1 million.

Independent Auditors' Report

SUPERINTENDENT, CITY OF SEATTLE—CITY LIGHT DEPARTMENT

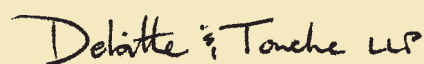
Seattle, Washington

We have audited the accompanying balance sheets of the City of Seattle—City Light Department (the Department) as of December 31, 2001 and 2000, and the related statements of operations and changes in retained earnings and of cash flows for the years then ended. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Department as of December 31, 2001 and 2000, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the Department was required to adopt Statement of Financial Accounting Standards (SFAS) No. 133, Accounting for Derivative Instruments and Hedging Activities, SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities an amendment of FASB Statement No. 133, and Governmental Accounting Standards Board No. 33, Accounting and Financial Reporting for Nonexchange Transactions, effective January 1, 2001.

The logo for Deloitte & Touche LLP, featuring the firm's name in a stylized, handwritten-style font.

Deloitte & Touche LLP

Seattle, Washington

March 29, 2002

BALANCE SHEETS

*As of December 31,**2001**2000*

Assets		
Utility Plant, at original cost:		
Plant in service, excluding land	\$ 1,954,842,829	\$ 1,811,151,094
Less accumulated depreciation	(808,183,648)	(756,498,165)
	1,146,659,181	1,054,652,929
Construction work-in-progress	115,321,307	152,981,465
Nonoperating property, net of accumulated depreciation	7,216,228	6,613,263
Land and land rights	30,838,923	27,919,760
	1,300,035,639	1,242,167,417
Capitalized Purchased Power Commitment	56,947,942	65,855,587
Restricted Assets:		
Municipal Light & Power Bond Reserve Account:		
Cash and equity in pooled investments	70,993,458	53,087,023
U.S. government securities	-	13,348,344
Bond proceeds and other:		
Cash and equity in pooled investments	63,559,476	3,969,797
Investments	102,274,374	-
Special deposits and other	6,605,501	3,375,745
	243,432,809	73,780,909
Current Assets:		
Cash and equity in pooled investments	3,759,018	19,041,923
Accounts receivable (net of allowance of \$6,110,000 and \$3,590,000)	53,187,620	68,780,916
Unbilled revenues	61,366,163	35,437,430
Energy contracts	14,526,178	-
Materials and supplies at average cost	21,810,750	21,548,144
Prepayments, interest receivable, and other	1,185,687	1,321,039
	155,835,416	146,129,452
Other Assets:		
Deferred conservation costs, net	97,179,553	79,936,854
Other deferred charges, net	357,530,128	33,818,445
	454,709,681	113,755,299
Total	\$ 2,210,961,487	\$ 1,641,688,664

See notes to the financial statements.

*As of December 31,**2001**2000*

Equity and Liabilities		
Equity:		
Retained earnings	\$ 174,650,546	\$ 247,990,953
Contributions in aid of construction	125,474,828	125,474,828
	300,125,374	373,465,781
Long-term Debt:		
Revenue bonds and anticipation notes	1,651,872,500	1,103,992,500
Plus (less) bond discount and premium, net	13,196,678	(3,875,722)
Less deferred charges on advanced refunding	(40,215,201)	(37,164,273)
Less revenue bonds due within one year	(41,651,500)	(39,760,000)
Note payable – City of Seattle	100,000,000	-
	1,683,202,477	1,023,192,505
Noncurrent Liabilities:		
Accumulated provision for injuries and damages	6,125,305	6,452,407
Long-term purchased power obligation	56,947,942	65,855,587
Less obligation due within one year	(8,870,000)	(8,355,000)
	54,203,247	63,952,994
Current Liabilities:		
Accounts payable and other	52,190,656	103,719,734
Accrued payroll and payroll taxes	3,820,619	3,423,297
Compensated absences	10,210,796	9,449,249
Accrued interest	22,802,987	14,654,120
Long-term debt due within one year	41,651,500	39,760,000
Purchased power obligation due within one year	8,870,000	8,355,000
Energy contracts	14,812,066	-
	154,358,624	179,361,400
Deferred Credits	19,071,765	1,715,984
Commitments and Contingencies (Notes 4, 7, and 11)		
Total	\$ 2,210,961,487	\$ 1,641,688,664

See notes to the financial statements.

STATEMENTS OF OPERATIONS AND CHANGES IN RETAINED EARNINGS

Years Ended December 31,

2001

2000

Operating Revenues:		
Retail power revenues	\$ 503,437,272	\$ 391,578,285
Wholesale power revenues	108,523,610	108,132,297
Transmission and other	15,625,381	5,918,117
	627,586,263	505,628,699
Operating Expenses:		
Long-term purchased power	151,213,357	79,304,610
Short-term wholesale power purchases	224,421,729	212,402,254
Power marketing and system control	6,064,682	5,504,322
Generation	17,012,159	25,665,927
Transmission	30,260,132	21,726,234
Distribution	36,493,212	34,523,307
Customer service	27,532,059	22,179,214
Conservation	8,522,651	6,972,547
Administrative and general	39,140,392	37,020,250
City of Seattle occupation tax	30,648,911	24,002,685
Other taxes	21,916,749	18,857,370
Depreciation	61,538,960	55,498,917
	654,764,993	543,657,637
Net operating loss	(27,178,730)	(38,028,938)
Nonoperating Revenues (Expenses):		
Investment income	13,486,717	9,753,106
Interest expense	(72,109,397)	(48,097,827)
Amortization of debt expense	(1,786,694)	(5,054,837)
Gain on sale of Centralia Steam Plant	-	29,639,799
Other expense, net	(1,048,013)	(240,039)
	(61,457,387)	(13,999,798)
Fees, Grants, and Transfers:		
Capital	13,372,688	-
Operating	1,923,022	-
	15,295,710	-
Net Loss	(73,340,407)	(52,028,736)
Retained Earnings:		
Beginning of the year	247,990,953	300,019,689
End of the year	\$ 174,650,546	\$ 247,990,953

See notes to the financial statements.

STATEMENTS OF CASH FLOWS

Years Ended December 31,

2001

2000

Operating Activities:		
Cash received from customers and counterparties	\$ 671,289,411	\$ 492,199,632
Cash paid to suppliers, employees, and counterparties	(931,423,126)	(376,818,442)
Taxes paid	(50,134,407)	(40,833,895)
Net cash provided by (used for) operating activities	(310,268,122)	74,547,295
Noncapital Financing Activities:		
Grant revenues received	1,014,343	-
Operating transfers received from the City of Seattle	315,000	-
Net cash provided by noncapital financing activities	1,329,343	-
Capital and Related Financing Activities:		
Proceeds from long-term debt, net of premium	798,479,496	100,491,983
Bond issue costs paid	(2,231,896)	(256,391)
Principal paid on long-term debt	(138,030,000)	(36,179,500)
Interest paid on long-term debt	(69,762,579)	(53,988,291)
Acquisition and construction of capital assets	(149,335,107)	(177,974,051)
Proceeds from sale of Centralia Steam Plant	-	41,399,047
Proceeds from sale of other property, plant, and equipment	476,683	406,836
Capital fees/Contributions in aid of construction	12,394,505	11,665,780
Net cash provided by (used for) capital and related financing activities	451,991,102	(114,434,587)
Investing Activities:		
Proceeds from long-term loans receivable	250,441	385,090
Long-term loans issued	(116,765)	(115,363)
Proceeds from sale of investments	567,239,517	8,216,000
Purchases of investments	(656,263,060)	-
Interest received on investments	11,280,508	8,161,645
Net cash provided by (used for) investing activities	(77,609,359)	16,647,372
Net Increase (Decrease) in Cash and Equity in Pooled Investments	65,442,964	(23,239,920)
Cash and Equity in Pooled Investments:		
Beginning of year	79,474,489	102,714,409
End of year	\$ 144,917,453	\$ 79,474,489

Financial
Statements

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RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:

Net operating loss	\$ (27,178,730)	\$ (38,028,938)
Adjustments to reconcile net operating loss to net cash provided by (used for) operating activities:		
Depreciation and amortization	70,412,288	63,510,859
Cash provided by (used for) changes in operating assets and liabilities:		
Accounts receivable	32,957,358	(8,420,793)
Unbilled revenues	(25,928,733)	(3,277,080)
Other deferred charges	(316,162,037)	3,484,498
Materials and supplies	315,615	(1,524,255)
Prepayments, interest receivable, and other	10,087,199	5,062,837
Provision for injuries and damages	(327,102)	476,094
Accounts payable, taxes and other	(65,068,412)	53,005,566
Compensated absences	761,547	376,388
Other	9,862,885	(117,881)
Net Cash Provided by (Used for) Operating Activities	\$ (310,268,122)	\$ 74,547,295

CASH AND EQUITY IN POOLED INVESTMENTS AT DECEMBER 31 CONSISTS OF:

Cash and cash equivalents	\$ 13,653,054	\$ 25,871,777
Equity in pooled investments	131,264,399	53,602,712
	\$ 144,917,453	\$ 79,474,489

See notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2001 and 2000

Note 1: Operations and Summary of Significant Accounting Policies

The City Light Department (the Department) is the public electric utility of the City of Seattle (the City). The Department owns and operates certain generating, transmission, and distribution facilities and supplies electricity to approximately 354,000 customers. The Department supplies electrical energy to other City agencies at rates prescribed by City ordinances. The establishment of the Department's rates is within the exclusive jurisdiction of the City Council. A requirement of Washington State law provides that rates must be fair, nondiscriminatory, and fixed to produce revenue adequate to pay for operation and maintenance expenses and to meet all debt service requirements payable from such revenue. The Department pays occupation taxes to the City based on total revenues.

The Department also provides nonenergy services to other City agencies and received \$5.8 million in 2001 and \$10.0 million in 2000 for such services. Included in accounts receivable at December 31, 2001 and 2000, are \$1.1 million and \$7.5 million, respectively, representing amounts due from other City departments for services provided, reimbursements, and interest receivable on cash and equity in pooled investments.

The Department receives certain services from other City agencies and paid approximately \$35.2 million and \$37.5 million, respectively, in 2001 and 2000 for such services. Included in accounts payable for the same time periods are \$4.5 million and \$6.2 million, respectively, representing amounts due other City departments for goods and services received.

ACCOUNTING STANDARDS

The accounting and reporting policies of the Department are regulated by the Washington State Auditor's Office, Division of Municipal Corporations, and are based on the Uniform System of Accounts prescribed for public utilities and licensees by the Federal Energy Regulatory Commission (FERC). The financial statements are also prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Department has applied all applicable GASB pronouncements as well as the following pronouncements, except for those that conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board (FASB), Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures. The more significant of the Department's accounting policies are described below.

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The objective of this statement is to enhance the understandability and usefulness of the general-purpose external financial reports of state and local governments to the citizenry, legislative and oversight bodies, bondholders, and creditors, and is effective for the Department in 2002. For the Department, this statement will require certain formatting changes to the basic financial statements as well as a required section covering management's discussion and analysis and certain other required supplementary information. The Department does not anticipate a material impact to the financial position or operations of the Department as a result of implementing this standard.

NONEXCHANGE TRANSACTIONS

In December 1998, GASB issued Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, that requires reporting nonexchange transactions as revenues effective for periods beginning after June 15, 2000. Capital fees from private sources were reported as a component of equity as contributions in aid of construction prior to implementation of GASB Statement No. 33. Capital fees, grants, and transfers in the amount of \$15.3 million are reported for 2001 on the statements of operations and changes in retained earnings as nonoperating revenues as a result of the adoption of this standard. The cumulative effect of adoption of GASB Statement No. 33 will be made in conjunction with the implementation of GASB Statement No. 34 in 2002.

DERIVATIVE INSTRUMENTS

In June 1998, FASB issued Statement of Financial Accounting Standards (SFAS) No. 133, *Accounting for Derivative Instruments and Hedging Activities*. This statement was amended in June 2000 by SFAS No. 138, *Accounting for Certain Derivative Instruments and Certain Hedging Activities*. Both statements are effective for fiscal years beginning after June 15, 2000, and were adopted by the Department in 2001. SFAS Nos. 133 and 138 require that the fair value of derivative financial instruments be recognized as either assets or liabilities on the Department's balance sheet and that changes in the fair value of a derivative instrument be included in earnings. The Department had outstanding sales and purchases of electric energy at December 31, 2001, under short-term forward contracts on electricity that meet the definition of a derivative in accordance with SFAS No. 133, and recorded an asset and deferred gain of \$14.5 million, which is presented as energy contract assets on the balance sheet, and a liability and deferred loss of \$0.9 million, respectively. In addition, the Department entered into a fixed for variable price gas swap in April 2001 to fix the fuel expense for the Klamath Falls Cogeneration Project from July 2001 through December 2002, and recorded an energy contract liability and deferred loss of \$13.9 million and recognized \$6.9 million for swap settlements which is reported in long-term purchased power expenses.

In accordance with City Council Resolution No. 30290, deferred losses are regulatory assets, and deferred gains are regulatory liabilities, pursuant to SFAS No. 71, *Accounting for the Effects of Certain Types of Regulation*. Thus, the adoption of SFAS Nos. 133 and 138 has no impact on recorded earnings. The Department's conclusions regarding the accounting treatment and financial statement effect of SFAS No. 133 could change based on interpretations of issues pending before the FASB.

UTILITY PLANT

Utility plant is recorded at original cost, which includes both direct costs of construction or acquisition and indirect costs, including an allowance for funds used during construction. The allowance represents the estimated costs of financing construction projects and is computed using the Department's most recent long-term borrowing rate. The allowance totaled \$5.7 million and \$5.6 million in 2001 and 2000, respectively, and is reflected as a reduction of interest expense in the statements of operations and changes in retained earnings. Property constructed with capital fees received from customers is included in utility plant. Capital fees totaled \$12.5 million in 2001 and \$15.6 million in 2000. Provision for depreciation is made using the straight-line method based upon estimated economic lives, which range from three to 50 years, of related operating assets. The Department uses a half-year convention method on the assumption that additions and replacements are placed in service at mid-year. The composite depreciation rate was approximately 3.2% in 2001 and 3.1% in 2000. When operating plant assets are retired, their original cost together with removal costs, less salvage, is charged to accumulated depreciation. The cost of maintenance and repairs is charged to expense as incurred, while the cost of replacements and betterments is capitalized.

RESTRICTED ASSETS

In accordance with the Department's bond resolutions, state law, or other agreements, separate restricted assets have been established. These assets are restricted for specific purposes, including the establishment of the Municipal Light & Power (ML&P) Bond Reserve Account, financing of the Department's ongoing Capital Improvement Program, and other purposes.

COMPENSATED ABSENCES

Permanent employees of the Department earn vacation time in accordance with length of service. A maximum of 480 hours may be accumulated and, upon termination, employees are entitled to compensation for unused vacation. At retirement, employees receive compensation equivalent to 25% of their accumulated sick leave. The Department accrues all costs associated with compensated absences, including payroll taxes.

ACCOUNTS PAYABLE AND OTHER

The composition of accounts payable and other is as follows:

	2001	2000
Vouchers payable	\$ 8,544,835	\$ 14,907,362
Power accounts payable	25,263,010	71,140,213
Interfund payable	4,527,245	6,224,826
Taxes payable	8,396,449	6,209,038
Claims payable, current	1,965,511	1,571,387
Guarantee deposit and contract retainer	2,951,291	3,375,745
Other accounts payable	542,315	291,163
	\$ 52,190,656	\$ 103,719,734

REVENUE RECOGNITION

Service rates are authorized by City of Seattle ordinances. Billings are made to customers on a monthly or bimonthly basis. Revenues for energy delivered to customers between the last billing date and the end of the year are estimated and reflected in the accompanying financial statements under the caption unbilled revenues.

The Department's customer base is comprised of four identifiable groups, which accounted for electric energy sales as follows:

	2001	2000
Residential	37.3%	38.2%
Commercial	41.6	41.0
Industrial	12.3	12.1
Governmental	8.8	8.7
	100.0%	100.0%

USE OF ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements. The Department used significant estimates in determining reported unbilled revenues, energy contract assets and liabilities, accumulated provision for injuries and damages, allowance for doubtful accounts, accrued sick leave, and other contingencies. Actual results may differ from those estimates.

SIGNIFICANT RISK AND UNCERTAINTY

The Department is subject to certain business risks that could have a material impact on future operations and financial performance. These risks include prices on the wholesale market for short-term power, interest rates, water conditions, weather, and natural disaster related disruptions; terrorism; collective bargaining labor disputes; fish and other Endangered Species Act (ESA) issues; Environmental Protection Agency regulations; federal government regulations or orders concerning the operations, maintenance, and/or licensing of hydroelectric facilities; other governmental regulations; and the deregulation of the electrical utility industry.

RECLASSIFICATIONS

Certain 2000 account balances have been reclassified to conform to the 2001 presentation.

Note 2: Jointly Owned Plant

The Department was one of eight public and private utilities that constructed and owned as tenants-in-common a 1,343 megawatt (MW) coal-fired, steam-electric generating plant located near Centralia, Washington. The Department's ownership interest was 8% until May 7, 2000, when the plant was sold to TransAlta Corporation, a Canadian corporation. Proceeds received from the sale were \$41.4 million and the gain on the sale was \$29.6 million. The Department's share of operating expenses and plant investment associated with the Centralia Steam Plant is included in the accompanying financial statements until the date of sale.

Note 3: Cash and Equity in Pooled Investments and Investments

The City pools and invests all temporary cash surpluses for City departments. These residual investments may consist of deposits with qualified public depositories; obligations of the United States or its agencies or wholly owned corporations; obligations of eligible government-sponsored enterprises; and certain bankers' acceptances, commercial paper, general obligation bonds or warrants, repurchase agreements, reverse repurchase agreements, mortgage-backed securities, and derivative-based securities; and are in accordance with the Revised Code of Washington (RCW) 35.39.032 and 39.58. According to City policy, securities purchased will have a maximum maturity of no longer than 15 years, and the average maturity of all securities owned should be no longer than five years. Also by City policy, the City may operate a securities lending program, and there were transactions during 2001 and 2000. There were no securities lending program transactions outstanding at December 31, 2001 or 2000. The Department's equity in residual investments is reflected as cash and equity in pooled investments. The City's residual investment pool did not include reverse repurchase agreements at the end of 2001 or 2000; the City did not invest in such instruments during 2001 but did invest in such instruments in 2000. Derivative-based securities were owned by the City pool during 2001 and 2000 and at both year ends. These securities were callable U.S. government agency instruments. Earnings and adjustments to fair value from the investment pool are prorated monthly to City departments based on the average daily cash balances of participating funds.

Banks or trust companies acting as the City's agents hold most of the City's investments in the City's name, with respect to credit risk as defined in GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*. All transactions are executed with authorized security dealers, financial institutions, or securities lending agents on a delivery versus payment basis.

The first \$100,000 of bank deposits are federally insured. The Washington State Public Deposit Protection Commission (PDPC) collateralizes deposits in excess of \$100,000. The PDPC is a multiple financial institution collateral pool. There is no provision for the PDPC to make additional pro rata assessments if needed to cover a loss. Therefore, the PDPC protection is of the nature of collateral, not of insurance.

Securities with maturities exceeding three months at time of purchase are reported at fair value on the balance sheets; the net increase (decrease) in the fair value of those investments is reported as part of investment income. At December 31, changes in the fair value of investments resulted in unrealized gains of \$907,046 and \$862,604 for 2001 and 2000, respectively.

The cash pool operates like a demand deposit account in that all City departments, including the Department, may deposit cash at any time and can also withdraw cash out of the pool without prior notice or penalty. Accordingly, the statements of cash flows reconcile to cash and equity in pooled investments.

Cash and cash equivalents included in cash and equity in pooled investments at December 31 consist of:

	2001	2000
Restricted assets:		
Municipal Light & Power		
Bond Reserve Account	\$ 3,609,215	\$ 15,682,128
Bond proceeds and other	3,236,017	1,171,566
Special deposits and other	6,605,501	3,375,745
	13,450,733	20,229,439
Current assets	202,321	5,642,338
	\$ 13,653,054	\$ 25,871,777

Equity in pooled investments, U.S. government securities, and investments that include commercial paper are reported at fair values based on quoted market prices for those or similar securities and are as follows at December 31:

	2001	2000
Restricted assets:		
Municipal Light & Power Bond Reserve Fund:		
Equity in pooled investments	\$ 67,384,243	\$ 37,404,895
U.S. government securities	-	13,348,344
Bond proceeds and other:		
Equity in pooled investments	60,323,459	2,798,232
Investments	102,274,374	-
	229,982,076	53,551,471
Current assets:		
Equity in pooled investments	3,556,697	13,399,585
	\$ 233,538,773	\$ 66,951,056

Note 4: Long-term Debt

PRIOR LIEN BONDS

In March 2001, the Department issued \$503.7 million in ML&P Improvements and Refunding Revenue Bonds that bear interest at rates ranging from 5.00% to 5.50% and mature serially from March 1, 2004, through 2026. The arbitrage yield for the 2001 bonds is 4.99%. Arbitrage yield, when used in computing the present worth of all payments of principal and interest on the bonds, produces an amount equal to the issue price of the bonds. Proceeds were used to finance certain capital improvements and conservation programs and to defease certain outstanding prior lien bonds. As of the end of the year, \$161.7 million in proceeds remained from the 2001 bond issue that will be used to fund a significant portion of the ongoing capital improvement and conservation program.

The debt service on the refunding bonds requires a cash flow of \$194.67 million, including \$70.07 million in interest. The difference between the cash flows required to service the old and the new debt and complete the refunding totaled (\$0.3) million, and the aggregate economic gain totaled \$5.13 million at net present value.

In December 2000, the Department issued \$98.8 million in ML&P Revenue Bonds that bear interest at rates ranging from 4.5% to 5.625% and mature serially from December 1, 2006, through 2025. Proceeds from the 2000 bond issue were used to finance a portion of the Department's ongoing capital improvement and conservation program.

Prior lien bonds outstanding at December 31, 2001, totaled \$1.37 billion. Principal redemptions extend through 2026, with interest to be paid at rates ranging from 4.50% to 6.00%. Future debt service requirements on these bonds are as follows:

<i>Year ending December 31,</i>	<i>Principal redemptions</i>	<i>Interest requirements</i>	<i>Total</i>
2002	\$ 38,291,500	\$ 72,403,329	\$ 110,694,829
2003	39,250,000	70,472,017	109,722,017
2004	47,650,000	68,296,087	115,946,087
2005	50,176,000	65,766,732	115,942,732
2006	52,750,000	63,192,604	115,942,604
Thereafter	1,138,145,000	588,728,721	1,726,873,721
	\$1,366,262,500	\$ 928,859,490	\$ 2,295,121,990

The Department is required by ordinance to fund reserves for prior lien bond issues in an amount equal to the lesser of (a) the maximum annual debt service on all bonds secured by the reserve account or (b) the maximum amount permitted by the Internal Revenue Code (IRC) of 1986 as a reasonably required reserve or replacement fund. Upon issuance of the 2001 bonds, the maximum annual debt service on prior lien bonds increased from \$92.1 million to \$115.9 million. The IRC's requirement increased from \$77.3 million to \$105.6 million. At December 31, 2001, the balance in the reserve account was \$70.9 million at fair value. The reserve must be fully funded by March 15, 2006.

In addition to the 2001 refunding revenue bonds, the Department has previously issued several refunding revenue bonds for the purpose of defeasing certain outstanding prior lien bonds. Refunding revenue bonds were issued in 1998 and 1993. Proceeds from the refunding bonds were placed in separate irrevocable trusts to provide for all future debt service payments on the bonds defeased. Accordingly, neither the assets of the respective trust accounts nor the liabilities for the defeased bonds are reflected in the Department's financial statements. The bonds defeased in 2001, 1998, and 1993 had outstanding balances at cost of \$98.3 million, \$94.7 million, and \$8.2 million as of December 31, 2001, respectively. Funds held in the respective trust accounts on December 31, 2001, will be sufficient to service and redeem the defeased bonds.

SUBORDINATE LIEN BONDS

The Department is authorized to issue a limited amount of adjustable rate revenue bonds, which are subordinate to prior lien bonds with respect to claim on revenues. Subordinate lien bonds may be issued to the extent that the new bonds will not cause the aggregate principal amount of such bonds then outstanding to exceed the greater of \$70 million or 15% of the aggregate principal amount of prior lien bonds then outstanding. Subordinate bonds may be remarketed daily, weekly, short-term, or long-term and may be converted to prior lien bonds when certain conditions are met.

In December 1996, the Department issued ML&P Adjustable Rate Revenue Bonds in the amount of \$19.8 million, subject to a mandatory redemption schedule spanning the period from June 1, 2002, to June 1, 2021. These bonds were marketed weekly at an interest rate ranging from 1.05% to 4.70% during 2001. Proceeds were used to finance a portion of the capital improvement and conservation program.

The 1990 bonds and 1991 Series B bonds outstanding at December 31, 2001, were \$20.7 million and \$18.3 million, respectively, and were marketed on a short-term basis during 2001, with interest rates ranging from 1.55% to 5.00%.

The 1991 Series A bonds and the 1993 bonds were \$25.0 million and \$19.6 million, respectively, at December 31, 2001, and were priced weekly at interest rates from 1.00% to 5.00% in 2001.

As of December 31, 2001, the Department had outstanding subordinate lien bonds totaling \$103.4 million. Future principal redemptions and interest requirements on these bonds, based on estimated interest rates ranging from 3.00% to 4.008% through year 2021, are as follows:

<i>Year ending December 31,</i>	<i>Principal redemptions</i>	<i>Interest requirements</i>	<i>Total</i>
2002	\$ 3,360,000	\$ 2,690,344	\$ 6,050,344
2003	3,585,000	3,176,954	6,761,954
2004	4,115,000	3,181,340	7,296,340
2005	4,445,000	3,158,375	7,603,375
2006	4,775,000	3,194,871	7,969,871
Thereafter	83,120,000	20,697,388	103,817,388
	\$ 103,400,000	\$ 36,099,272	\$ 139,499,272

REVENUE ANTICIPATION NOTES

In March 2001, the Department issued \$182.2 million in ML&P Revenue Anticipation Notes (RANs). \$136.7 million of the RANs bear interest at a rate of 4.50%, and \$45.5 million bear interest at a rate of 5.25%. The arbitrage yield of the RANs is 3.75%. The RANs mature in March 2003 and are special limited obligations of the Department payable from and secured by gross revenues. Proceeds were used to finance 2001 operating expenses. The RANs are on a lien subordinate to prior lien bonds and subordinate lien bonds; there is no reserve account securing repayment, and there is no debt service coverage requirement. Debt service requirements for the RANs are as follows:

<i>Year ending December 31,</i>	<i>Principal redemptions</i>	<i>Interest requirements</i>	<i>Total</i>
2002	\$ -	\$ 8,541,075	\$ 8,541,075
2003	182,210,000	4,199,362	186,409,362
	\$ 182,210,000	\$ 12,740,437	\$ 194,950,437

FAIR VALUE

The fair value of the Department's bonds and RANs is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to the Department for debt of the same remaining maturities. Carrying amounts and fair values are as follows at December 31:

	<i>2001</i>		<i>2000</i>	
	<i>Carrying amount</i>	<i>Fair value</i>	<i>Carrying amount</i>	<i>Fair value</i>
Long-term debt:				
Prior lien				
bonds	\$1,377,523,172	\$1,385,989,653	\$ 994,611,605	\$ 925,154,114
Subordinate				
lien bonds	103,123,038	103,400,000	105,505,173	105,800,000
RANs	184,422,967	186,594,405	-	-
	\$1,665,069,177	\$1,675,984,058	\$1,100,116,778	\$1,030,954,114

AMORTIZATION

Bond issue costs, discounts, and premiums are amortized using the effective interest method over the term of the bonds.

The excess of costs incurred over the carrying value of bonds refunded on early extinguishment of debt is amortized as a component of interest expense using both the straight-line and bonds-outstanding methods over the terms of the issues to which they pertain. Deferred refunding costs amortized to interest expense totaled \$2.1 million in 2001 and \$4.0 million in 2000. Deferred refunding costs in the amount of \$40.2 million and \$37.2 million are reported as a component of long-term debt in the 2001 and 2000 balance sheets, respectively.

NOTE PAYABLE

In late December 2001, the City of Seattle authorized an interfund loan (note payable) to the Department from the City's Consolidated (Residual) Cash Portfolio in an amount up to \$110.0 million, of which \$100.0 million was outstanding as of December 31, 2001. The purpose of the note payable is for

working capital and is due on or before March 31, 2003. The loan was repaid on January 1, 2002, and will be carried as a negative operating cash balance. The interest rate for the note payable is equal to the rate of return earned by the City's Consolidated (Residual) Cash Portfolio. For December 2001, the rate of return was 5.341%.

Note 5: Seattle City Employees' Retirement System

The Seattle City Employees' Retirement System (SCERS) is a single-employer public employee retirement system, covering employees of the City of Seattle and administered in accordance with Chapter 41.28 of the Revised Code of Washington and Chapter 4.36 of the Seattle Municipal Code. SCERS is a department of the City of Seattle.

All employees of the City of Seattle are eligible for membership in SCERS with the exception of uniformed police and fire personnel who are covered under a retirement system administered by the state of Washington. As of the actuarial valuation date, there were 4,716 annuitants receiving benefits and 8,936 active members of SCERS. In addition, 1,263 vested terminated employees were entitled to future benefits, and 174 terminated employees had restored their contributions due to the provisions of the portability statutes and may be eligible for future benefits.

SCERS provides retirement, death, and disability benefits. Retirement benefits vest after five years of credited service, while death and disability benefits vest after 10 years of service. Retirement benefits are calculated, generally, as 2% multiplied by years of creditable service, multiplied by average salary, based on the highest 24 consecutive months, excluding overtime. The benefit is actuarially reduced for early retirement.

Actuarially recommended contribution rates both for members and for the employer were 8.03% of covered payroll during 2001 and 2000.

SCERS issues stand-alone financial statements that may be obtained by writing to the Seattle City Employees' Retirement System, 801 Third Avenue, Suite 300, Seattle, Washington 98104; telephone: (206) 386-1292.

Employer contributions for the City of Seattle were \$32.7 million, \$30.8 million, and \$29.7 million in 2001, 2000, and 1999, respectively, and the annual required contributions were made in full.

Actuarial data

Valuation date	January 1, 2001
Actuarial cost method	Entry age
Amortization method	Level percent
Amortization period of the funding excess from January 1, 2001	30 years
Asset valuation method	Market
<i>Actuarial assumptions*</i>	<i>Percentage</i>
Investment rate of return	8.00 %
Projected general wage increases	4.50
Cost-of-living year-end bonus dividend	0.67

* Underlying price inflation at 4.0%.

Schedule of funding progress for the City of Seattle (dollar amounts in millions):

<i>Actuarial valuation date</i>	<i>Actuarial value of assets (a)</i>	<i>Actuarial accrued liabilities (AAL) entry age ¹ (b)</i>	<i>Funding Excess ² (b-a)</i>	<i>Funding ratio (a/b)</i>	<i>Covered payroll ³ (c)</i>	<i>Funding excess as a percentage of covered payroll ((b-a)/ c)</i>
1/1/1999	\$ 1,375.0	\$ 1,326.6	\$ (48.4)	103.6 %	\$ 370.4	(13.1) %
1/1/2000	1,582.7	1,403.1	(179.6)	112.8	370.4	(48.5)
1/1/2001	1,493.1	1,490.3	(2.8)	100.2	383.7	(.7)

1. Actuarial present value of benefits less actuarial present value of future normal costs based on entry age actuarial cost method.

2. Actuarial accrued liabilities less actuarial value of assets: funding excess if negative.

3. Covered payroll includes compensation paid to all active employees on which contributions are calculated.

Note 6: Deferred Compensation

The Department's employees may contribute to the City of Seattle's Voluntary Deferred Compensation Plan (the Plan). The Plan, available to City employees and officers, permits participants to defer a portion of their salary until future years. The deferred compensation is paid to participants and their beneficiaries upon termination, retirement, death, or unforeseeable emergency.

Effective January 1, 1999, the Plan became an eligible deferred compensation plan under Section 457 of the IRC of 1986, as amended, and a trust exempt from tax under IRC Sections 457(g) and 501(a). The Plan is operated for the exclusive benefit of participants and their beneficiaries. No part of the corpus or income of the Plan shall revert to the City or be used for, or diverted to, purposes other than the exclusive benefit of participants and their beneficiaries.

The Plan is not reported in the financial statements of the City or the Department.

It is the opinion of the City's legal counsel that the City has no liability for investment losses under the Plan. Under the Plan, participants select investments from alternatives offered by the Plan Administrator, who is under contract with the City to manage the Plan. Investment selection by a participant may be changed from time to time. The City does not manage any of the investment selections. By making the selection, participants accept and assume all risks inherent in the Plan and its administration.

Note 7: Long-term Purchased Power and Wholesale Power Transactions

BONNEVILLE POWER ADMINISTRATION

The Department purchased electric energy from the U.S. Department of Energy, Bonneville Power Administration (BPA) under a long-term contract, which expired September 30, 2001.

Until August 1, 1996, the Department was an actual computed requirements customer of BPA and was entitled to buy from BPA the energy required to fill the variance between its customer load and its firm power resources. The Department had a right to displace this entitlement, by payment of an availability charge. Effective August 1, 1996, the contract with BPA was amended, through the remaining life of the contract,

to limit purchases to 195 average megawatts (aMW) delivered flat throughout the year. The Department could displace part of this amount by paying an availability charge; almost no BPA energy was displaced in 2001 and 1.3 aMW was displaced in 2000. Power purchased under this contract was 195.0 aMW through September 30, 2001, and 193.7 aMW in 2000. The 1996 contract amendment required payment of a diversity fee of \$2 million, which was amortized through September 30, 2001.

In October 2000, the Department entered into a new agreement to purchase power from BPA for a 10-year period beginning October 1, 2001, under the Block and Slice Power Sales Agreement. Under the terms of the agreement the Department will receive firm power of 154 aMW in the first year, 144.8 aMW in the second through fifth years of the contract, and 259.2 aMW in the last 5 years of the contract as a block of power shaped to the Department's monthly net requirements, defined as the difference between projected monthly load and firm resources available to serve that load. Additional amounts of power will be purchased and received throughout the term of the contract under the Slice portion of the contract. The terms of the Slice product specify that the Department will receive a fixed percentage (4.6676%) of the actual output of the Federal Columbia River Power System. The price of the Slice power is based on the same percentage (4.6676%) of the expected costs of the system and is subject to adjustments based on actual costs. Under critical water conditions, the Department is expected to receive approximately 280.6 aMW of energy in the first year of the contract, and 330 aMW for the remaining term of the contract, from the Slice product. The actual amounts of firm and non-firm energy will vary with water conditions, federal generating capabilities, and fish and wildlife restoration requirements. Estimated payments over the 10-year contract total \$1.6 billion. Amendments to the contract through March 2002 provided that BPA will pay the Department for energy savings in federal fiscal years 2002 and 2003. The Department has received \$9.9 million as of April 15, 2002, and will receive a total of \$27.7 million through July 2003 for these energy reductions. The estimated reduction of energy associated with these payments is 9.8 aMW the first year of the contract and 19.0 aMW in years two through ten.

In 1983, the Department entered into separate net billing agreements with BPA and Energy Northwest (formerly the Washington Public Power Supply System), a municipal corporation and joint operating agency of the state of Washington, with respect to sharing costs for the construction and operation of three nuclear generating plants. Under these agreements, the Department is unconditionally obligated to pay Energy Northwest a pro rata share of the total annual costs, including debt service, to finance the cost of construction, whether or not construction is completed, delayed, or terminated, or operation is suspended or curtailed. The net billing agreements provide that these costs be recovered through BPA rates. One plant is in commercial operation. Construction of the other two plants has been terminated.

LUCKY PEAK

In 1984, the Department entered into a purchase power agreement with four irrigation districts to acquire 100% of the net output of a hydroelectric facility constructed in 1988 at the existing Army Corps of Engineers Lucky Peak Dam on the Boise River near Boise, Idaho. The irrigation districts are owners and license holders of the project. The agreement, which expires in 2038, obligates the Department to pay all ownership and operating costs, including debt service, over the term of the contract, whether or not the plant is operating or operable.

The power purchased under this agreement was 21.5 aMW and 38.8 aMW in 2001 and 2000, respectively. To properly reflect its rights and obligations under this agreement, the Department includes as an asset and liability the outstanding principal of the project's debt, net of the balance in the project's reserve account.

BRITISH COLUMBIA—ROSS DAM

In 1984, an agreement was reached between the Province of British Columbia and the City of Seattle under which British Columbia will provide the Department with power equivalent to that which would result from an addition to the height of Ross Dam. The agreement was ratified through a treaty between Canada and the United States in the same year. The power is to be received for 80 years and began in 1986. The Department will make annual payments to British Columbia of \$21.8 million through 2020, which represent the estimated cost the Department would have incurred for financing had the addition been constructed. The payments are charged to expense over a period of 50 years, through 2035.

The Department is also paying equivalent operation and maintenance costs. Payments made for this purpose totaled \$160,774 and \$153,499 in 2001 and 2000, respectively. The power purchased under this agreement was 35.1 aMW and 33.8 aMW and up to 143 MW and 175 MW of actual peak capacity in 2001 and 2000, respectively.

In addition to the direct costs of power under the agreement, the Department incurred costs of approximately \$8 million in prior years related to the proposed addition and was obligated to help fund the Skagit Environmental Endowment Commission through four annual \$1 million payments. These costs have been deferred and are being amortized to purchased power expense over 35 years.

KLAMATH FALLS

In November 2000, the Department and the City of Klamath Falls, Oregon, entered into an agreement for the purchase of energy and capacity from the Klamath Falls Cogeneration Project, a 500 MW unit consisting of two combustion turbines fueled by natural gas and a steam generator. Under the terms of the contract, the Department receives 100 MW of capacity from the project beginning on the project's online date of July 29, 2001, and for five years thereafter, with an option to renew the contract for an additional five years. The power purchased under this agreement was 37.2 aMW. The Department assumes gas price and exchange rate risks for natural gas from Alberta, Canada. In April 2001, the Department entered into a separate contract to swap variable Canadian dollar gas prices for a fixed U.S. dollar gas price. Estimated payments total \$155.8 million through July 31, 2006.

WIND GENERATION

In October 2001, the Department entered into an agreement with PacifiCorp Power Marketing, Inc. (PPMI) for the purchase of energy and associated environmental attributes primarily from the State Line Wind Project, a facility consisting of 399 660-kW wind turbines located in Walla Walla County, Washington and Umatilla County, Oregon. The Department will receive firm energy with an aggregate maximum delivery rate per hour of 50 MW from January 1, 2002, through July 31, 2002, and 100 MW from August 1, 2002, through December 31, 2021. The Department will also receive additional firm energy with an aggregate maximum delivery rate per hour of 25 MW from January 1, 2004, through June 30, 2004, and 50 MW from July 1, 2004, through December 31, 2021, from the State Line Wind Project or other qualifying new wind generation facility. PPMI may deliver, at their option, additional energy with a maximum delivery rate per hour of 25 MW beginning in 2004 from other new qualifying wind generation projects. The Department entered into a related 10-year agreement to purchase integration and exchange services from PacifiCorp, which receives State Line energy at the Wallula Substation in Walla Walla County, Washington, and another related 20-year agreement to sell integration and exchange services to PPMI. Net payments under the three contracts for purchase power and related integration and exchange services received and provided are estimated to be \$467.4 million.

OTHER LONG-TERM PURCHASE POWER AGREEMENTS

The Department also purchases energy from Public Utility Districts (the PUDs) No. 1 of Pend Oreille County and No. 2 of Grant County, under agreements expiring October 31, 2005; the Grand Coulee Project Hydroelectric Authority (the Authority), which includes the South, East, and Quincy Columbia Basin Irrigation Districts under 40-year agreements that expire from 2022 to 2027; and the Columbia Storage Power Exchange, until expiration of the agreement on March 31, 2003. Power purchased under these contracts was 77.4 aMW in 2001 and 87.3 aMW in 2000. Rates under the PUD, excluding Pend Oreille County, and Authority contracts represent the share of the operating and debt service costs in proportion to the share of total energy to which the Department is entitled, whether or not these plants are operating or operable.

Three new contracts were executed in March 2002 with Grant County to replace the contract expiring October 31, 2005. The agreements are effective November 1, 2005, and run concurrent with the term of the future federal relicense period.

ESTIMATED PAYMENTS UNDER PURCHASE POWER CONTRACTS

The Department's estimated payments under its contracts with BPA, excluding receipts from BPA for energy savings in accordance with amendments to the BPA Block and Slice Power Sales Agreement through March 2002; the PUDs; irrigation districts; power exchange corporation; Lucky Peak Project; British Columbia – Ross Dam; Klamath Falls; and with PPMI and PacifiCorp for wind energy and net integration and exchange services for the period from 2002 through 2021 are:

<i>Year ending December 31,</i>	<i>Estimated payments</i>
2002	\$ 240,362,641
2003	233,151,008
2004	243,790,651
2005	246,406,166
2006	229,894,505
Thereafter	1,571,689,830
	\$ 2,765,294,801

Payments under these long-term contracts totaled \$135.0 million in 2001 and \$50.3 million in 2000. Energy received represented 99.7% of the Department's total purchases under firm power contracts during 2001 and 99.8% during 2000.

WHOLESALE POWER TRANSACTIONS

Power transactions in response to seasonal resource and demand variations include purchases and sales at market under short-term agreements and exchanges of power under long and short-term contracts. Wholesale power purchase contract commitments outstanding at December 31, 2001 and 2000 were \$2.9 million and \$42.5 million, respectively. For power sales forward contracts, there were \$42.7 million outstanding as of December 31, 2001, and no outstanding commitments as of December 31, 2000. Fluctuations in annual precipitation levels and other weather conditions materially affect the energy output from the Department's hydroelectric facilities. Accordingly, power transactions in and out may vary significantly from year to year.

In March 1998, the Department was certified as a scheduling coordinator with the California Independent System Operator to submit schedules and sell power and ancillary services in California.

Note 8: Other Assets

Other assets are comprised of deferred conservation costs and other deferred charges. Deferred conservation costs, net, represent programmatic conservation costs. City Council-passed resolutions authorize the debt financing and deferral of all programmatic conservation costs incurred by the Department. These costs are to be recovered through rates over 20 years.

Other deferred charges, net, consist of the following at December 31:

	<i>2001</i>	<i>2000</i>
Deferred power costs	\$ 300,000,000	\$ -
British Columbia-Ross Dam	22,574,618	13,701,177
Unrealized losses from fair valuations of:		
Gas price swap	13,860,917	-
Short-term forward sales of electric energy	915,407	-
Skagit relicensing and environmental	12,388,412	11,555,540
Unamortized debt expense	4,103,307	2,206,129
Puget Sound Energy interconnection and substation	2,148,197	2,291,110
General work in process to be billed	1,124,420	2,453,084
Other	414,850	1,611,405
	\$ 357,530,128	\$ 33,818,445

Deferred power costs incurred for short-term wholesale power purchases during 2001 will be recovered through rates over the next two years and possibly longer, pursuant to SFAS No. 71 and Ordinance 120385. Unamortized charges for the deferral of debt payments relating to Ross Dam will be amortized between 2021 and 2035. The balance of these charges, excluding billable work in progress, are being amortized to expense over four to 36 years.

Note 9: Deferred Credits

Deferred credits consist of the following at December 31:

	2001	2000
Unrealized gains from fair valuation of short-term forward sales of electric energy	\$ 14,490,436	\$ -
Levelized lease payments for Seattle office	1,263,337	1,595,373
Prepaid capital fees	1,819,000	-
Unspent transfer from the City of Seattle	965,977	-
Other	533,015	120,611
	\$ 19,071,765	\$ 1,715,984

Note 10: Provision for Injuries and Damages

The Department is self-insured for casualty losses to its property, for environmental cleanup, and for certain losses arising from third-party damage claims. The Department establishes liabilities for claims based on estimates of the ultimate cost of claims. The length of time for which such costs must be estimated varies depending on the nature of the claim. Actual claims costs depend on such factors as inflation, changes in doctrines of legal liability, damage awards, and specific incremental claim adjustment expenses. Claims liabilities are recomputed periodically using actuarial and statistical techniques to produce current estimates, which reflect recent settlements, claim frequency, industry averages, city-wide cost allocations, and other economic and social factors. Liabilities for lawsuits, claims, and workers' compensation were discounted over a period of 11 to 16 years in 2001 and 12 to 16 years in 2000 at the City's average annual rate of return on investments, which was 5.341% in 2001 and 6.167% in 2000. Liabilities for environmental cleanup and for casualty losses to the Department's property do not include claims that have been incurred but not reported (IBNR) and are not discounted due to uncertainty with respect to regulatory requirements and settlement dates, respectively.

The schedule below presents the changes in the provision for injuries and damages during 2001 and 2000:

	2001	2000
Unpaid claims at January 1	\$ 8,023,794	\$ 6,628,762
Payments	(2,664,709)	(1,501,512)
Incurred claims	2,731,731	2,896,544
Unpaid claims at December 31	\$ 8,090,816	\$ 8,023,794

The provision for injuries and damages is included in current and noncurrent liabilities as follows:

	2001	2000
Noncurrent liabilities	\$ 6,125,305	\$ 6,452,407
Accounts payable and other	1,965,511	1,571,387
	\$ 8,090,816	\$ 8,023,794

Note 11: Commitments and Contingencies

OPERATING LEASES

In December 1994, the City entered into an agreement on behalf of the Department for a 10-year lease of office facilities in downtown Seattle commencing February 1, 1996. In early 1996, the City purchased the building in which these facilities are located, thus becoming the Department's lessor.

The Department also has two other long-term operating leases for smaller facilities used for office and storage purposes.

Expense under the leases totaled \$3.3 million and \$3.5 million in 2001 and 2000, respectively. Deferred credits related to the 10-year lease of office facilities in downtown Seattle totaled \$1.3 million and \$1.6 million at December 31, 2001 and 2000, respectively.

Minimum payments under the leases are:

Year ending December 31,	Minimum payments
2002	\$ 3,515,583
2003	3,488,500
2004	3,360,971
2005	3,371,641
2006	280,970
	\$ 14,017,665

OTHER

Associated with the FERC operating license for the Skagit Hydroproject, which is in effect until the year 2025, are settlement agreements that commit the Department to undertake certain mitigation activities. The mitigation cost was estimated at December 31, 2001, to be \$42.9 million, of which \$31.6 million has been expended.

The estimated financial requirement for the Department's 2002 capital improvement and conservation program is \$135.4 million, and the Department has substantial contractual commitments relating thereto.

Some fish species that inhabit waters where hydroelectric projects are owned by the Department or where the Department purchases power have been listed under the ESA as either threatened or endangered. In 1995, the National Marine Fisheries Service (NMFS) developed a broad species recovery plan for the Columbia River Basin and supplemental plans in 1998 and 2000, based on Biological Opinions relating to the Columbia and Snake River fisheries. As a result, the Department's power generation at its Boundary Project has been reduced in the fall and winter when the region experiences its highest sustained energy demand, and the Boundary Project's firm capability has also been reduced. In addition, the Department now receives power under a contract with the BPA that provides the City with a percentage of the total BPA generation and the Department would thus be affected by changes in flows required in the Biological Opinions. In the opinion of the Department, it is unlikely that new Biological

Opinions will result in significant changes in flows that would affect the Boundary Project, Priest Rapids, and BPA system. While it is unclear how other fish listings, including bull trout and Chinook salmon, may affect the Department's hydroelectric projects and operations, the Department has entered into agreements that include extensive measures to protect fish and were intended to mitigate potential impacts of its projects on the Cedar, Skagit, and South Fork Tolt rivers. In addition, the Department is conducting research on these species to monitor their population health and identify potential impacts. The Department is carrying out an ESA Early Action program that will assist in the recovery of Chinook and bull trout and address any further impacts on these species.

All hydroelectric projects must satisfy the requirements of the Clean Water Act to obtain a FERC license. An agreement was reached for the Newhalem Creek plant on minimum stream flows necessary to protect fish; these flows were incorporated into the FERC license issued in 1997. The Department has installed a new intake system capable of delivering the approved instream flows. The completion of the intake system, including all improvements and testing, was reported to FERC August 2001. The new system has been performing reliably since this time.

Effective November 22, 1999, the Department committed to pay a total of \$11.6 million over 10 years, ending in 2008 to Pend Oreille County on behalf of the county and certain school districts and towns located therein to compensate for loss of revenues and additional financial burdens associated with the Department's operation of the Boundary Hydroelectric Project on the Pend Oreille River. The combined impact compensation and retroactive payment totaled \$1.1 million for 2001 and \$1.0 million for 2000.

FINANCIAL SUMMARY

For the years ended December 31,

2001

2000

1999

1998

1997

BALANCE SHEET					
Assets					
Utility plant, net	\$1,300,035,639	\$1,242,167,417	\$1,156,236,906	\$1,072,654,414	\$1,013,700,966
Capitalized purchased power commitment	56,947,942	65,855,587	73,854,788	81,330,278	88,756,582
Restricted assets	243,432,809	73,780,909	62,528,127	60,129,933	56,166,032
Current assets	155,835,416	146,129,452	178,517,210	130,463,176	145,498,789
Other assets	454,709,681	113,755,299	94,727,946	84,168,892	74,545,834
Total assets	\$ 2,210,961,487	\$ 1,641,688,664	\$ 1,565,864,977	\$ 1,428,746,693	\$ 1,378,668,203
Equity & Liabilities					
Equity	\$ 300,125,374	\$ 373,465,781	\$ 413,279,048	\$ 398,284,823	\$ 408,450,084
Long-term debt, net	1,683,202,477	1,023,192,505	957,857,015	830,973,490	771,670,124
Noncurrent liabilities	54,203,247	63,952,994	71,956,101	75,958,677	83,623,913
Current liabilities	154,358,624	179,361,400	120,898,099	121,460,514	113,179,296
Deferred credits	19,071,765	1,715,984	1,874,714	2,069,189	1,744,786
Total equity & liabilities	\$ 2,210,961,487	\$ 1,641,688,664	\$ 1,565,864,977	\$ 1,428,746,693	\$ 1,378,668,203
STATEMENT OF OPERATIONS					
Operating Revenues					
Residential	\$ 178,129,446	\$ 148,343,023	\$ 142,542,347	\$ 134,622,904	\$ 136,934,204
Commercial	198,578,662	159,202,753	141,105,588	135,685,224	137,216,230
Industrial	58,894,805	47,085,945	45,891,368	50,234,594	52,418,715
Governmental	41,905,626	33,669,484	37,766,052	37,360,320	38,241,277
Sales for resale	-	-	-	1,556,314	-
Unbilled revenue - net change	25,928,733	3,277,080	629,526	1,166,004	(2,099,434)
Total retail power revenues	503,437,272	391,578,285	367,934,881	360,625,360	362,710,992
Wholesale power revenues ^A	108,523,610	108,132,297	-	-	-
Transmission and other ^A	15,625,381	5,918,117	4,815,884	3,287,770	3,427,171
Total operating revenues	627,586,263	505,628,699	372,750,765	363,913,130	366,138,163
Operating Expenses					
Long-term purchased power ^A	151,213,357	79,304,610	79,984,055	79,999,162	73,952,830
Short-term wholesale power purchases ^A	224,421,729	212,402,254	(18,865,574)	17,105,639	(21,325,153)
Power marketing and system control	6,064,682	5,504,322	4,508,274	3,716,008	3,228,159
Generation	17,012,159	25,665,927	31,071,778	31,019,177	30,687,731
Transmission ^A	30,260,132	21,726,234	20,960,408	19,866,792	20,575,865
Distribution	36,493,212	34,523,307	37,138,587	35,974,507	34,240,097
Customer service	27,532,059	22,179,214	19,710,363	23,677,460	22,350,069
Conservation	8,522,651	6,972,547	6,794,306	5,688,038	5,159,600
Administrative and general	39,140,392	37,020,250	43,310,839	37,831,932	37,210,668
Taxes	52,565,660	42,860,055	38,661,079	38,162,001	37,105,624
Depreciation	61,538,960	55,498,917	54,022,390	54,213,420	51,892,420
Total operating expenses	654,764,993	543,657,637	317,296,505	347,254,136	295,077,910
Net operating income (loss)	(27,178,730)	(38,028,938)	55,454,260	16,658,994	71,060,253
Gain on sale of Centralia steam plant	-	29,639,799	-	-	-
Other income (expense), net	(1,048,013)	(240,039)	(3,907,245)	(1,214,197)	(6,931,565)
Investment income	13,486,717	9,753,106	4,140,404	7,222,664	8,467,693
Total operating and other income	(14,740,026)	1,123,928	55,687,419	22,667,461	72,596,381
Interest Expense					
Interest expense	77,820,333	53,651,607	46,952,066	42,809,590	43,284,665
Amortization of debt expense	1,786,694	5,054,837	5,208,932	5,356,167	5,198,827
Interest charged to construction	(5,710,936)	(5,553,780)	(4,212,048)	(2,921,783)	(2,317,158)
Net interest expense	73,896,091	53,152,664	47,948,950	45,243,974	46,166,334
Fees, grants, and transfers ^B	15,295,710	-	-	-	-
Net income (loss)	\$ (73,340,407)	\$ (52,028,736)	\$ 7,738,469	\$ (22,576,513)	\$ 26,430,047

^A Beginning in 2001, wholesale power and transmission sales were recorded as operating revenues. Prior to 2001, these sales were recorded net as offsets to power and transmission expenses. Amounts for 2000 were restated to conform to the new presentation. Amounts for years prior to 2000 have not been restated.

^B Fees, grants, and transfers were reported as nonoperating revenues beginning in 2001 due to the adoption of GASB Statement No. 33. Prior to the implementation of this standard, capital fees from private sources were reported as a component of equity as contributions in aid of construction, while grants and transfers were reported as offsets to expenses.

Note: Certain other 2000 account balances have been reclassified to conform to the 2001 presentation. Other years were not restated.

INTEREST REQUIREMENTS AND PRINCIPAL REDEMPTION ON LONG-TERM DEBT

As of December 31, 2001

Years	Prior Lien Bonds			Subordinate Lien Bonds		Revenue Anticipation Notes	
	Principal	Interest	Total	Principal	Interest ^B	Principal	Interest
2002	\$ 38,291,500	\$ 72,403,329	\$ 110,694,829	\$ 3,360,000	\$ 2,690,344	\$ -	\$ 8,541,075
2003	39,250,000	70,472,017	109,722,017	3,585,000	3,176,954	182,210,000	4,199,362
2004	47,650,000	68,296,087	115,946,087	4,115,000	3,181,340	-	-
2005	50,176,000	65,766,732	115,942,732	4,445,000	3,158,375	-	-
2006	52,750,000	63,192,604	115,942,604	4,775,000	3,194,871	-	-
2007	55,520,000	60,421,428	115,941,428	5,305,000	3,045,642	-	-
2008	58,340,000	57,608,370	115,948,370	5,840,000	2,985,692	-	-
2009	61,610,000	54,339,561	115,949,561 ^A	6,270,000	2,797,500	-	-
2010	65,090,000	50,858,966	115,948,966	6,705,000	2,503,582	-	-
2011	60,090,000	47,728,626	107,818,626	7,345,000	2,271,231	-	-
2012	60,245,000	44,395,501	104,640,501	7,785,000	1,933,939	-	-
2013	62,885,000	40,959,425	103,844,425	8,425,000	1,609,191	-	-
2014	63,225,000	37,457,400	100,682,400	8,865,000	1,275,931	-	-
2015	63,690,000	33,952,937	97,642,937	9,410,000	914,710	-	-
2016	64,180,000	30,432,913	94,612,913	7,755,000	530,039	-	-
2017	64,050,000	26,903,137	90,953,137	2,600,000	343,667	-	-
2018	62,915,000	23,748,163	86,663,163	2,750,000	240,501	-	-
2019	59,415,000	20,357,038	79,772,038	1,300,000	135,204	-	-
2020	57,090,000	17,144,993	74,234,993	1,355,000	82,647	-	-
2021	54,550,000	14,126,413	68,676,413	1,410,000	27,912	-	-
2022	53,100,000	11,155,566	64,255,566	-	-	-	-
2023	52,505,000	8,264,274	60,769,274	-	-	-	-
2024	53,085,000	5,402,781	58,487,781	-	-	-	-
2025	36,430,000	2,699,148	39,129,148	-	-	-	-
2026	30,130,000	772,081	30,902,081	-	-	-	-
Totals	\$1,366,262,500	\$ 928,859,490	\$2,295,121,990	\$ 103,400,000	\$ 36,099,272	\$ 182,210,000	\$ 12,740,437

^A Maximum debt service—see Note 4 on page 23.

^B Based on actual and estimated interest rates ranging from 3.00% to 4.008%.

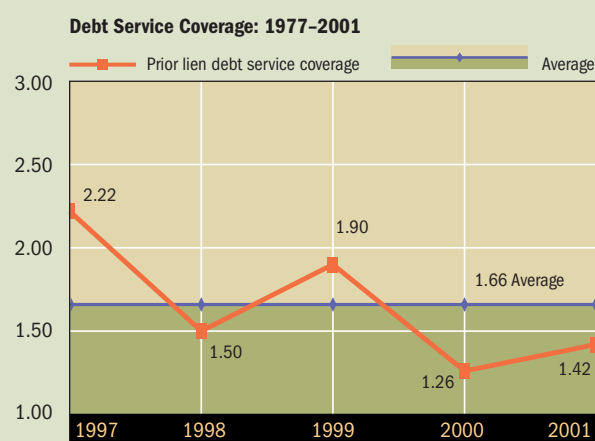
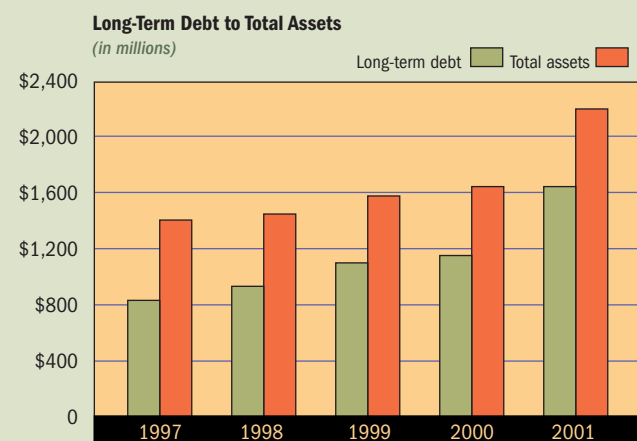
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DEBT SERVICE COVERAGE: PRIOR LIEN BONDS

For the years ended December 31,

Year	Revenue Available for Debt Service	Debt Service Requirements	Debt Service Coverage
2001	\$ 87,604,015	\$ 61,552,303	1.42
2000	104,629,835	83,205,503	1.26
1999	143,335,963	75,394,637	1.90
1998	105,024,128	69,898,371	1.50
1997	157,402,022	71,035,264	2.22



STATEMENT OF LONG-TERM DEBT

As of December 31, 2001

<i>Name of Bond</i>	<i>When Due</i>	<i>Interest Rate (%)</i>	<i>Amount Issued</i>	<i>Amount Redeemed</i>	<i>Amount Outstanding 12/31/01</i>	<i>Amount Due Within One Year</i>	<i>Accrued Interest</i>
BONDS REDEEMED AT 12-31-01							
General Lien Bonds							
1903-14	1923-1924		\$ 4,044,000	\$ 4,044,000			
Revenue Bonds ^A							
1917-95	1923-2020		1,468,318,500	1,468,318,500			
TOTAL			\$ 1,472,362,500	\$ 1,472,362,500			
Prior Lien Bonds							
Series 1992	2002	5.300	\$ 3,710,000	\$ 3,710,000	\$ 3,710,000	\$ 3,710,000	\$ 81,929
Series 1992	2003	5.400	4,680,000	4,680,000	4,680,000		105,300
Series 1992	2004	5.500	4,630,000	4,630,000	4,630,000		106,104
Series 1992	2005	5.625	4,575,000	4,575,000	4,575,000		107,227
Series 1992	2006-2010	5.750	30,740,000	30,740,000	30,740,000		736,480
Series 1993	2002	4.800	28,840,000	28,840,000	28,840,000	28,840,000	230,720
Series 1993	2003	4.900	27,250,000	27,250,000	27,250,000		222,542
Series 1993	2004	5.000	28,525,000	28,525,000	28,525,000		237,708
Series 1993	2005	5.100	29,795,000	29,795,000	29,795,000		253,257
Series 1993	2006	5.200	23,020,000	23,020,000	23,020,000		199,507
Series 1993	2007	5.300	24,200,000	24,200,000	24,200,000		213,767
Series 1993	2008	5.400	12,020,000	12,020,000	12,020,000		108,180
Series 1993	2009-2010	5.450	25,415,000	25,415,000	25,415,000		230,853
Series 1993	2011-2013	5.500	12,425,000	12,425,000	12,425,000		113,896
Series 1993	2014-2018	5.375	25,645,000	25,645,000	25,645,000		229,736
Series 1994	2002-2004	6.000	9,385,000	9,385,000	9,385,000	3,105,000	281,550
Series 1995	2002	4.500	241,500	241,500	241,500	241,500	3,622
Series 1995	2002-2004	5.000	4,825,000	4,825,000	4,825,000	850,000	80,417
Series 1995	2005	4.800	456,000	456,000	456,000		7,296
Series 1995	2006-2007	5.000	4,650,000	4,650,000	4,650,000		77,500
Series 1995	2008	5.125	2,515,000	2,515,000	2,515,000		42,965
Series 1995	2009	5.300	2,655,000	2,655,000	2,655,000		46,905
Series 1995	2010	5.400	2,805,000	2,805,000	2,805,000		50,490
Series 1995	2011	5.500	2,970,000	2,970,000	2,970,000		54,450
Series 1995	2012	5.600	3,145,000	3,145,000	3,145,000		58,707
Series 1995	2013-2018	5.625	23,285,000	23,285,000	23,285,000		436,594
Series 1995	2019-2020	5.700	9,815,000	9,815,000	9,815,000		186,485
Series 1996	2002-2008	5.250	7,055,000	7,055,000	7,055,000	865,000	92,597
Series 1996	2009	5.300	1,235,000	1,235,000	1,235,000		16,364
Series 1996	2010	5.400	1,300,000	1,300,000	1,300,000		17,550
Series 1996	2011-2013	5.500	4,365,000	4,365,000	4,365,000		60,019
Series 1996	2014-2021	5.625	16,045,000	16,045,000	16,045,000		225,633

Continued on next page.

STATEMENT OF LONG-TERM DEBT

As of December 31, 2001

Name of Bond	When Due	Interest Rate (%)	Amount Issued	Amount Redeemed	Amount Outstanding 12/31/01	Amount Due Within One Year	Accrued Interest
Prior Lien Bonds, continued							
Series 1997	2003-2018	5.000	\$ 21,425,000		\$ 21,425,000		\$ 535,625
Series 1997	2019-2022	5.125	8,575,000		8,575,000		219,734
Series 1998	2002-2004	4.500	2,135,000		2,135,000	680,000	48,038
Series 1998	2005-2008	4.750	18,990,000		18,990,000		451,012
Series 1998	2009-2020	5.000	82,390,000		82,390,000		2,059,750
Series 1998	2004-2019	4.750	59,545,000		59,545,000		235,699
Series 1998	2021	4.875	11,250,000		11,250,000		45,703
Series 1998	2024	5.000	19,205,000		19,205,000		80,021
Series 1999	2006-2007	5.000	6,250,000		6,250,000		78,125
Series 1999	2008-2009	5.750	13,500,000		13,500,000		194,062
Series 1999	2010	5.875	2,500,000		2,500,000		36,719
Series 1999	2011-2024	6.000	135,750,000		135,750,000		2,036,250
Series 2000	2006	5.000	2,875,000		2,875,000		11,979
Series 2000	2007	4.500	3,015,000		3,015,000		11,306
Series 2000	2008	5.250	3,150,000		3,150,000		13,781
Series 2000	2009-2011	5.500	10,505,000		10,505,000		48,148
Series 2000	2012-2018	5.625	32,325,000		32,325,000		151,523
Series 2000	2019	5.250	5,715,000		5,715,000		25,003
Series 2000	2020	5.300	6,015,000		6,015,000		26,566
Series 2000	2021	5.250	6,330,000		6,330,000		27,694
Series 2000	2022-2025	5.400	28,900,000		28,900,000		130,050
Series 2001	2004-2007	5.250	23,140,000		23,140,000		404,950
Series 2001	2008-2010	5.500	41,580,000		41,580,000		762,300
Series 2001	2010-2011	5.250	41,990,000		41,990,000		734,825
Series 2001	2012-2019	5.500	215,175,000		215,175,000		3,944,875
Series 2001	2020	5.000	22,165,000		22,165,000		369,417
Series 2001	2021-2026	5.125	159,650,000		159,650,000		2,727,354
Total Prior Lien Bonds			\$ 1,366,262,500		\$ 1,366,262,500	\$ 38,291,500	\$ 20,326,857
Subordinate Lien Bonds							
Series 1990	2002-2015	1.550-5.000 ^B	\$ 20,700,000		\$ 20,700,000	\$ 1,000,000	\$ 28,458
Series 1991	2002-2016	1.000-5.000 ^B	43,300,000		43,300,000	800,000	245,980
Series 1993	2002-2018	1.000-5.000 ^B	19,600,000		19,600,000	900,000	16,638
Series 1996	2002-2021	1.050-4.700 ^B	19,800,000		19,800,000	660,000	17,929
Total Subordinate Bonds			\$ 103,400,000		\$ 103,400,000	\$ 3,360,000	\$ 309,005
Revenue Anticipation Notes							
Series 2001	2003	4.500	\$ 136,660,000		\$ 136,660,000		\$ 1,537,425
Series 2001	2003	5.250	45,550,000		45,550,000		597,844
Total Revenue Anticipation Notes			\$ 182,210,000		\$ 182,210,000		\$ 2,135,269
Total Long-Term Debt ^C			\$ 1,651,872,500		\$ 1,651,872,500	\$ 41,651,500	\$ 22,771,131

^A Including bonds defeased through refundings and Subordinate Lien Bonds.^B Range of adjustable rates in effect during 2001.^C Excludes City of Seattle Note Payable in the amount of \$100.0 million.Additional
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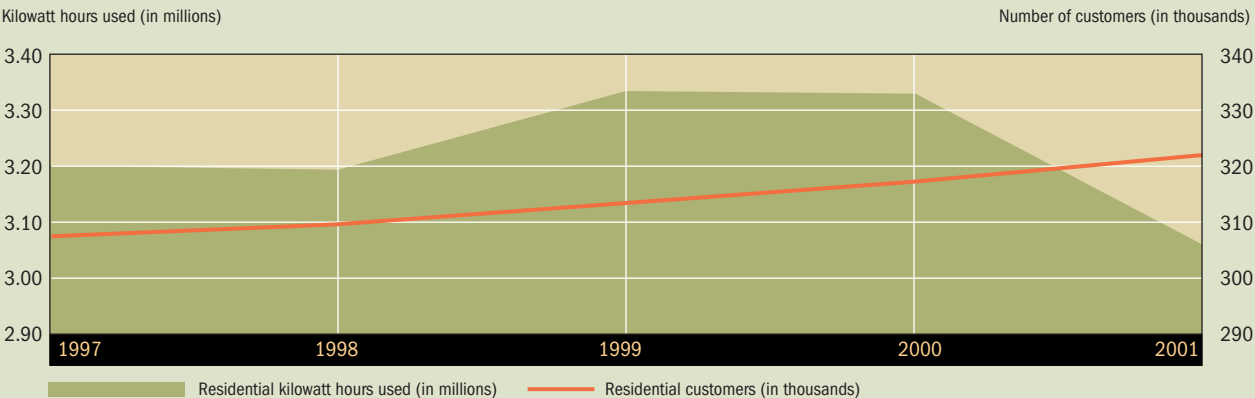
CUSTOMER STATISTICS

For the years ended December 31,	2001	2000	1999	1998	1997
Average Number of Customers ^A					
Residential	322,707	316,758	312,849	308,564	306,629
Commercial	30,934	30,839	30,568	30,376	30,243
Industrial	259	276	279	286	291
Governmental	1,776	1,686	1,817	1,836	1,869
Sales for Resale	-	-	-	1	-
Total	355,676	349,559	345,513	341,063	339,032
Kilowatt Hours (In 000's) ^B					
Residential	34% 3,050,903	35% 3,317,251	35% 3,322,835	34% 3,189,109	35% 3,203,429
Commercial	43% 3,829,358	41% 3,886,281	40% 3,753,167	38% 3,596,237	38% 3,544,415
Out of service area (commercial)	0% 15,956	1% 96,399	1% 89,906	1% 63,876	0% -
Industrial	14% 1,237,423	14% 1,349,599	14% 1,349,809	16% 1,476,960	16% 1,479,684
Governmental	9% 858,111	9% 907,362	10% 972,081	10% 972,993	11% 1,004,703
Sales for Resale	- -	- -	- -	1% 58,508	- -
Total	100% 8,991,751	100% 9,556,892	100% 9,487,798	100% 9,357,683	100% 9,232,231
Average Annual Revenue Per Customer (In Service Area) ^B					
Residential	\$ 587	\$ 478	\$ 457	\$ 442	\$ 441
Commercial	\$ 6,629	\$ 4,894	\$ 4,569	\$ 4,411	\$ 4,501
Industrial	\$ 242,048	\$ 172,068	\$ 166,100	\$ 173,915	\$ 179,566
Governmental	\$ 24,644	\$ 20,011	\$ 20,422	\$ 20,507	\$ 20,948

^A Customer counts were calculated using a new method effective April 2001.

^B Revised to include an allocation of the change in unbilled revenue.

Residential Consumption



CUSTOMER STATISTICS

For the years ended December 31,

		2001	2000	1999	1998	1997
Average Annual Consumption Per Customer (kWhs) ^{A, B}						
Residential	- Seattle	9,454	10,473	10,621	10,335	10,447
	- National	n/a	10,623	10,237	10,284	10,072
Commercial	- Seattle	123,791	126,018	122,781	118,391	117,198
	- National	n/a	71,640	68,858	69,489	68,679
Industrial	- Seattle	4,777,695	4,889,850	4,838,026	5,164,195	5,084,824
	- National	n/a	1,909,814	1,930,929	1,933,285	1,825,789
Governmental	- Seattle	483,171	538,174	534,992	529,952	537,562
	- National	n/a	n/a	106,614	110,403	106,354
Average Rate Per Kilowatt Hour (cents) ^{A, B}						
Residential	- Seattle	6.21	4.55	4.30	4.27	4.25
	- National	8.48	8.22	8.16	8.26	8.43
Commercial	- Seattle	5.36	3.89	3.72	3.72	3.85
	- National	7.76	7.22	7.26	7.41	7.58
Industrial	- Seattle	5.07	3.51	3.42	3.45	3.55
	- National	5.02	4.46	4.43	4.48	4.54
Governmental	- Seattle	5.10	3.73	3.83	3.75	3.89
	- National	6.07	6.38	6.83	6.63	6.89
Total	- Seattle	5.60	4.06	3.89	3.87	3.93
	- National	7.16	6.68	6.64	6.74	6.85

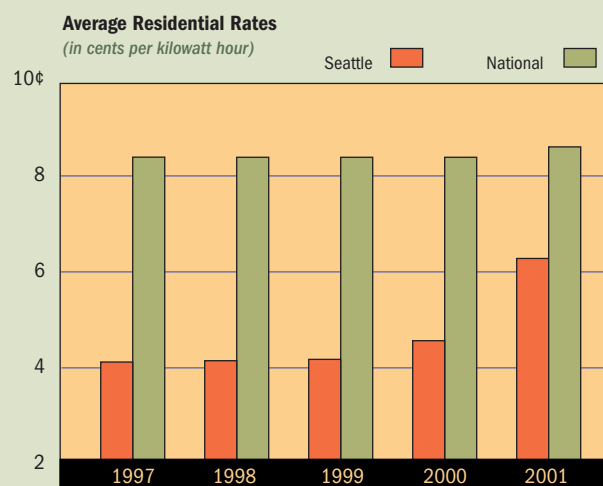
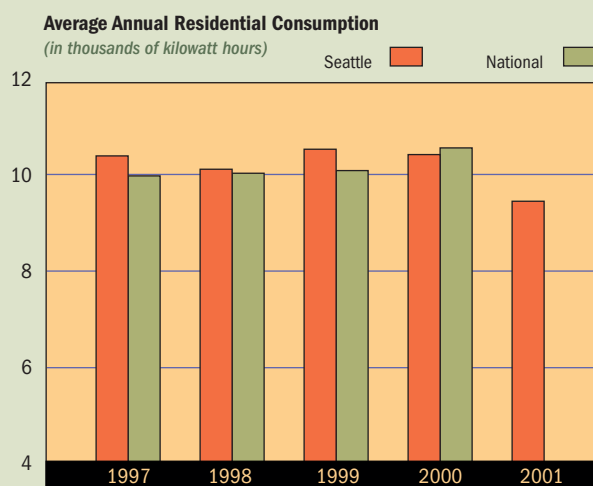
^A Source of national data: Department of Energy (2001 estimated, 2000 revised preliminary, 2001 consumption data is not available).

^B Seattle amounts include an allocation for the change in unbilled revenue.

Note: The latest rate adjustment was effective October 1, 2001. Rates are set by the Seattle City Council. Notice of public hearings may be obtained on request to The Office of the City Clerk, Municipal Building, 600-4th Avenue, Room 104, Seattle WA 98104.

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POWER

For the years ended December 31,	2001	2000	1999	1998	1997
Power costs					
Hydraulic generation ^A	\$ 27,425,917	\$ 28,288,083	\$ 26,746,081	\$ 26,360,001	\$ 27,678,950
Steam generation ^{A, B}	-	7,521,097	14,664,491	14,963,065	13,067,074
Long-term purchased power ^C	151,213,357	79,304,610	79,984,055	79,999,162	73,952,830
Wholesale power purchases ^{D, E}	524,421,729	212,402,254	34,295,550	52,032,908	14,106,211
Deferred power costs ^F	(300,000,000)	-	-	-	-
Owned transmission ^A	6,768,055	5,775,106	6,504,089	5,818,679	5,826,148
Wheeling expenses	26,345,617	18,431,914	16,864,661	16,683,699	17,355,147
Power marketing and system control	6,064,682	5,504,322	4,508,274	3,716,008	3,228,159
Total power costs	442,239,357	357,227,386	183,567,201	199,573,522	155,214,519
Less wholesale power sales ^{D, E}	(108,523,610)	(108,132,297)	(53,161,124)	(34,927,269)	(35,431,364)
Less transmission sales	(9,679,069)	(2,137,045)	-	-	-
Net power costs ^I	\$ 324,036,678	\$246,958,044	\$ 130,406,077	\$ 164,646,253	\$ 119,783,155
Power Statistics (MWh)					
Hydraulic generation ^D	3,941,388	6,405,929	7,764,312	6,160,442	8,346,762
Steam generation ^B	-	277,103	689,802	712,095	538,374
Long-term purchased power ^C	4,307,958	3,418,245	3,213,813	3,016,515	2,814,135
Wholesale power purchases ^{D, E}	2,437,907	2,459,825	1,159,875	2,198,887	922,229
Wholesale power sales ^{D, E, G}	(1,097,822)	(2,499,700)	(2,672,264)	(2,019,502)	(2,834,626)
Other ^H	(599,260)	(504,510)	(667,739)	(710,754)	(554,644)
Total power delivered	8,990,171	9,556,892	9,487,799	9,357,683	9,232,230
Net power cost per MWh delivered ^I	\$ 36.04	\$ 25.84	\$ 13.74	\$ 17.59	\$ 12.97

^A Including depreciation.

^B The Centralia Steam Plant was sold in May 2000.

^C Beginning in 2000, long-term purchased power also includes energy received under seasonal exchange contracts.

^D The level of generation (and consequently the amount of power purchased and sold on the wholesale market) can fluctuate widely from year to year depending upon water conditions in the Northwest region. The Northwest experienced a severe drought in 2001. During 2000 and 1998, the region experienced lower than average water conditions. Conditions were favorable in 1999 and 1997.

^E Wholesale power purchases and sales also include reserve capacity transactions.

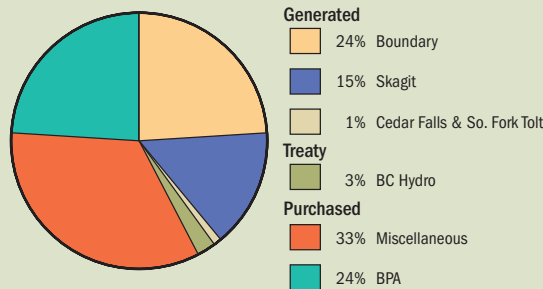
^F Wholesale power purchase costs in the amount of \$300,000,000 were deferred from 2001 to future years. Had costs not been deferred, the average price per MWh delivered would have been \$69.41 in 2001.

^G Beginning in 2000, wholesale power sales also include energy delivered under seasonal exchange contracts.

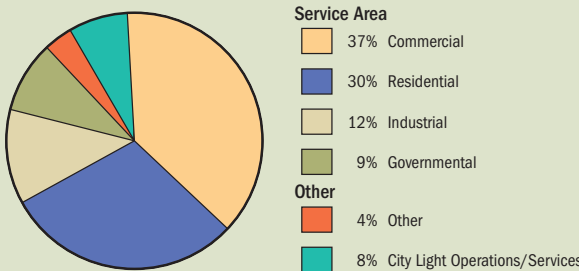
^H "Other" includes self-consumed energy, system losses, net power exchanges (for years 1997 through 1999), and miscellaneous power transactions. For years 2000 and 2001, exchanges are included gross in long-term purchased power and wholesale power sales.

^I Cost of power delivered to Seattle City Light's service area. Distribution costs are not included in this amount.

2001 Sources of Power
(in percent of total MWh)



2001 Uses of Power
(in percent of total MWh)



CHANGES IN OWNED TOTAL GENERATING INSTALLED CAPABILITY

Year	Plant	KW Added	Peaking Capability Total KW
1904-09	Cedar Falls Hydro Units 1, 2, 3 & 4	10,400	10,400
1912	Lake Union Hydro Unit 10	1,500	11,900
1914-21	Lake Union Steam Units 11, 12 & 13	40,000	51,900
1921	Newhalem Hydro Unit 20	2,300	54,200
1921	Cedar Falls Hydro Unit 5	15,000	69,200
1924-29	Gorge Hydro Units 21, 22 & 23	60,000	129,200
1929	Cedar Falls Hydro Unit 6	15,000	144,200
1932	Cedar Falls Hydro Units 1, 2, 3 & 4	(10,400) ^A	133,800
1932	Lake Union Hydro Unit 10	(1,500) ^A	132,300
1936-37	Diablo Hydro Units 31, 32, 35 & 36	132,000	264,300
1951	Georgetown Steam Units 1, 2 & 3	21,000	285,300
1951	Gorge Hydro Unit 24	48,000	333,300
1952-56	Ross Hydro Units 41, 42, 43 & 44	450,000	783,300
1958	Diablo Plant Modernization	27,000	810,300
1961	Gorge Hydro, High Dam	67,000	877,300
1967	Georgetown Plant, performance test gain	2,000	879,300
1967	Boundary Hydro Units 51, 52, 53 & 54	652,000	1,531,300
1972	Centralia Units 1 & 2	102,400	1,633,700
1980	Georgetown Steam Units 1, 2, & 3	(23,000) ^A	1,610,700
1986	Boundary Hydro Units 55 & 56	399,000	2,009,700
1987	Lake Union Steam Units 11, 12 & 13	(40,000) ^A	1,969,700
1989-92	Gorge Units 21, 22, & 23, new runners	4,600	1,974,300
1993	Centralia Transmission Upgrade	5,000	1,979,300
1995	South Fork Tolt	16,800	1,996,100
2000	Centralia Units 1 & 2	(107,400) ^B	1,888,700

^A Retirement of units (decrease in total capability).

^B The Centralia steam plant was sold in May 2000.

SYSTEM REQUIREMENTS

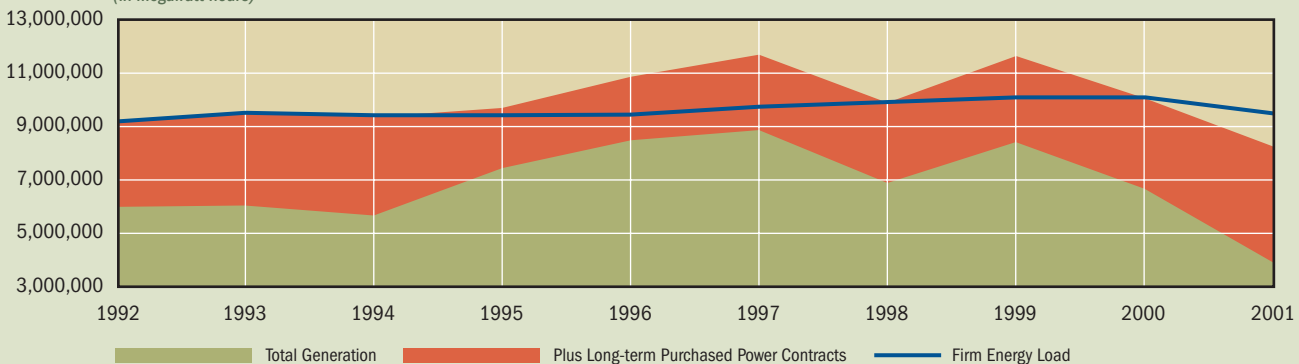
Year	Kilowatts Average Load	Kilowatts Peak Load ^C
1950	154,030	312,000
1955	381,517	733,000
1960	512,787	889,000
1965	635,275	1,138,000
1970	806,813	1,383,000
1975	848,805	1,429,387
1980	963,686	1,771,550
1985	1,025,898	1,806,341
1986	996,648	1,699,434
1987	987,070	1,724,726
1988	1,022,442	1,731,518
1989	1,059,272	1,979,528
1990	1,088,077	2,059,566
1991	1,065,987	1,815,164
1992	1,048,055	1,743,975
1993	1,082,616	1,875,287
1994	1,074,852	1,819,323
1995	1,072,692	1,748,657
1996	1,110,133	1,950,667
1997	1,111,035	1,816,152
1998	1,120,178	1,928,854
1999	1,142,382	1,729,933
2000	1,142,383	1,769,440
2001	1,082,068	1,661,842

^C One-hour peak.

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Total Generation and Long-Term Purchased Power Contracts Vs. Firm Energy Load
(in megawatt hours)



UTILITY PLANT, AT ORIGINAL COST

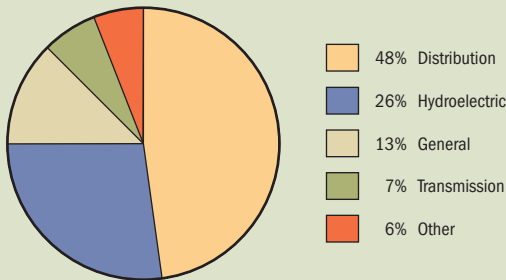
For the years ended December 31,	2001	2000	1999	1998	1997
Steam plant* ^A	\$ -	\$ -	\$ 28,620,025	\$ 28,701,981	\$ 28,513,553
Hydroelectric plant*	542,541,330	531,705,122	507,902,539	496,924,588	482,814,231
Transmission plant*	140,352,499	135,787,595	130,371,827	129,608,725	128,870,027
Distribution plant*	1,022,638,123	953,429,070	892,578,913	838,265,006	773,078,710
General plant*	280,149,800	218,149,068	203,660,796	175,365,459	165,564,632
Total electric plant in service	1,985,681,752	1,839,070,855	1,763,134,100	1,668,865,759	1,578,841,153
Accumulated depreciation	(808,183,648)	(756,498,166)	(731,545,437)	(685,315,961)	(642,639,293)
Total plant in service, net of depreciation	1,177,498,104	1,082,572,689	1,031,588,663	983,549,798	936,201,860
Nonoperating properties, net of depreciation	7,216,228	6,613,263	6,366,276	6,225,934	5,854,060
Utility plant, net of depreciation	1,184,714,332	1,089,185,952	1,037,954,939	989,775,732	942,055,920
Construction work-in-progress	115,321,307	152,981,465	118,281,967	82,878,682	71,645,046
Net utility plant	\$ 1,300,035,639	\$ 1,242,167,417	\$ 1,156,236,906	\$ 1,072,654,414	\$ 1,013,700,966

^A The Centralia steam plant was sold in May 2000.

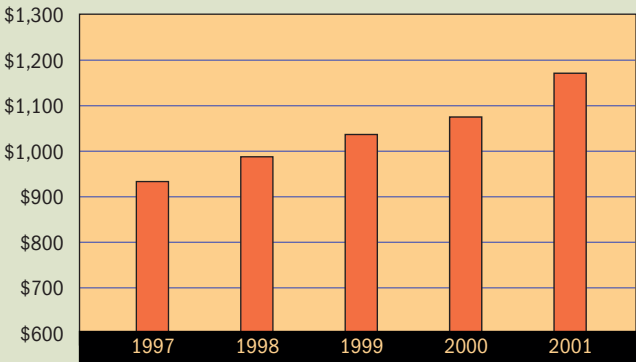
* Including land.

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2001 Utility Plant



Utility Plant in Service, at Original Cost
(in millions, net of depreciation)



PAYROLL AND EMPLOYEE BENEFITS

<i>For the years ended December 31,</i>	<i>2001</i>	<i>2000</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>
Full-time equivalent positions	1,628	1,647	1,627	1,623	1,678
Straight time	\$ 75,801,957	\$ 74,286,122	\$ 71,440,967	\$ 67,273,819	\$ 66,823,852
Overtime	9,431,112	16,287,675	13,978,470	9,330,099	7,404,511
Vacation and other	16,635,444	15,680,918	15,474,009	13,899,876	13,555,234
Total payroll	101,868,513	106,254,715	100,893,446	90,503,794	87,783,597
Employee benefits	28,306,941	27,336,784	24,418,514	23,084,040	22,389,857
Total payroll and employee benefits	\$ 130,175,454	\$ 133,591,499	\$ 125,311,960	\$ 113,587,834	\$ 110,173,454
Percentage of employee benefits (including vacation) to straight time	59.3%	57.9%	55.8%	55.0%	53.8%

Note: 1999 straight time and overtime were revised in 2000 to use the general ledger as the reporting source going forward. Beginning in 1998, the general ledger was used as the reporting source for vacation and other and employee benefits. In previous years, the payroll system was the reporting source.

TAXES AND CONTRIBUTIONS TO THE COST OF GOVERNMENT

<i>For the years ended December 31,</i>	<i>2001</i>	<i>2000</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>
Taxes					
City of Seattle occupation tax	\$ 30,648,910	\$ 24,002,685	\$ 21,791,151	\$ 21,584,015	\$ 21,737,485
State public utility and business taxes	19,555,852	15,631,467	14,205,768	14,405,965	13,734,158
Local franchise and other special taxes ^A	295,474	1,161,177	676,575	570,485	170,123
Contract payments for government services	2,065,424	2,064,726	1,987,585	1,601,536	1,463,858
Total taxes as shown in statement of operations	52,565,660	42,860,055	38,661,079	38,162,001	37,105,624
Taxes/licenses charged to accounts other than taxes	8,291,537	9,012,216	8,874,311	7,380,933	8,832,738
Other contributions to the cost of government	2,852,862	3,513,674	4,686,514	3,479,904	3,237,229
Total miscellaneous taxes	11,144,399	12,525,890	13,560,825	10,860,837	12,069,967
Total taxes and contributions	\$ 63,710,059	\$ 55,385,945	\$ 52,221,904	\$ 49,022,838	\$ 49,175,591

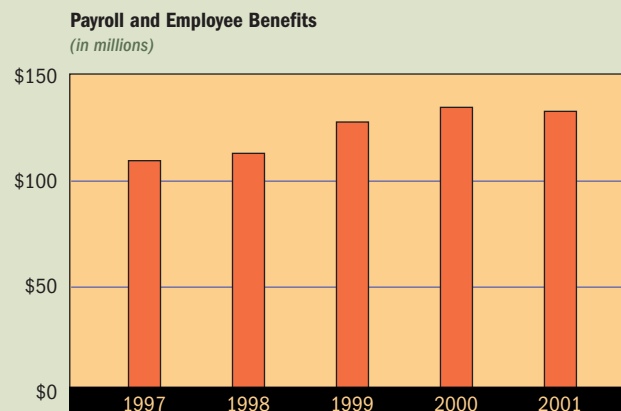
Note: Electric rates include all taxes and contributions. The State Public Utility Tax for retail electric power sales was 3.873%.

The City of Seattle Occupation Utility Tax was 6% for retail electric power sales and 5% for out-of-state retail electric power sales.

^A 2001 includes a refund of \$1,224,200 for Federal arbitrage rebate paid for Municipal Light & Power Revenue Bonds, 1986 and 1988.

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RETAIL ELECTRICAL CUSTOMER INVESTMENT

For the years ended December 31,	2001	2000	1999	1998	1997
Conservation ^A					
Non-programmatic conservation expenses ^B	\$ 1,806,864	\$ 1,903,001	\$ 2,540,280	\$ 2,330,961	\$ 2,819,454
Conservation programs ^C					
Non-low income	23,184,059	13,840,045	16,136,265	16,121,498	12,121,898
Low income	1,917,011	1,863,892	1,820,369	1,646,120	1,624,811
External conservation funding					
Bonneville Power Administration					
Non-low income	(4,273)	-	(1,680,060)	(3,064,427)	(5,310,336)
Low income	-	-	-	2,594	(167,540)
Customer obligation repayments ^D	(1,595,954)	(1,468,189)	(2,306,792)	(2,803,620)	(2,279,366)
Low-Income Energy Assistance ^E	4,374,264	3,785,996	3,905,699	4,179,213	4,506,452
Non-Hydro Renewable Resources ^F	381,279	238,015	241,715	221,748	265,458
Net public purpose spending	\$ 30,063,250	\$ 20,162,760	\$ 20,657,476	\$ 18,634,087	\$ 13,580,831
Revenue from retail electric sales	\$ 503,437,272	\$ 391,578,285	\$ 367,934,881	\$ 360,625,360	\$ 362,710,992
Percent public purpose spending	6.0%	5.1%	5.6%	5.2%	3.7%
Energy savings in year (MW hours) ^G	786,052	708,532	678,793	625,948	564,358

Note: Certain prior year amounts have been restated to conform to the current presentation.

^A Non-programmatic conservation is funded from current revenues. Conservation programs are financed by either debt or current revenues. Conservation expenditures are deferred and amortized over a 20 year period in accordance with City Council-passed resolutions.

^B Non-programmatic expenditures include support of energy codes and early adopter activities, program planning, evaluation, data processing, and general administration. These expenses are not directly associated with energy savings.

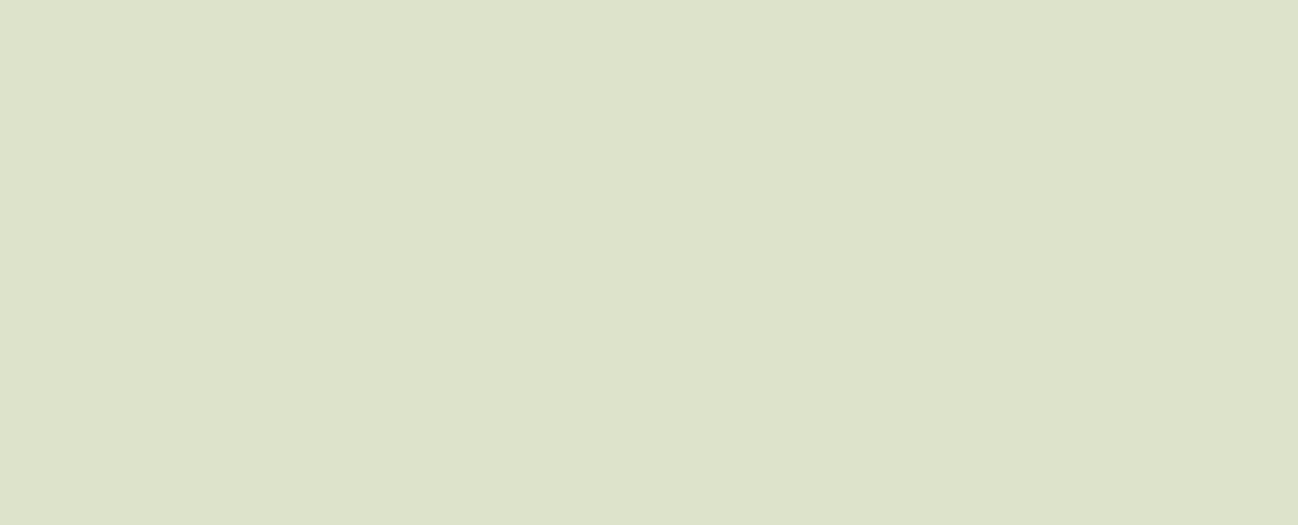
^C Non-low income programmatic conservation includes expenditures for program measures, incentives, field staff salaries, and direct program administration. Low-income programmatic conservation includes these expenditures for the Department's Low-Income Electric and Low-Income Multifamily Programs.

^D Customer obligations repaid in each year include payments on outstanding five-year or ten-year loans, plus repayments in the first year after project completion for utility-financed measures.

^E Low-income assistance includes rate discounts and other programs that provide assistance to low income customers.

^F Co-generation from the West Point Sewage Treatment plant is funded from current revenues. The Department purchased from King County approximately 11,915 MWh of energy generated by three reciprocating engines using methane gas from the treatment plant. Total electrical output is purchased under a power purchase contract executed with Metro in 1983, which expires in September 2003.

^G Electricity savings in each year are from cumulative conservation program participants for completed projects with unexpired measure lifetimes.



Additional Financial Data	40
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ELECTED OFFICIALS

(As of January 2002)

Mayor

Greg Nickels

Seattle City Council

Peter Steinbrueck, *Council President*

Chair: Parks, Education and Libraries Committee

Jim Compton

Chair: Police, Fire, Courts and Technology Committee

Richard Conlin

Chair: Transportation Committee

Jan Drago

Chair: Finance, Budget, Business and Labor Committee

Nick Licata

Chair: Neighborhoods, Arts and Civil Rights Committee

Richard McIver

Chair: Housing, Human Services and Community
Development Committee

Judy Nicastro

Chair: Land Use Committee

Margaret Pageler

Chair: Water and Health Committee

Heidi Wills

Chair: Energy and Environmental Policy Committee

City Attorney

Thomas A. Carr

EXECUTIVE TEAM

Gary Zarker

(206) 684-3200

Superintendent

Dana Backiel

(206) 386-4500

Deputy Superintendent – Generation Branch

Generation Engineering

Generation Plant Operations

Generation Program Management

Boundary Capital Improvement Project

Skagit Capital Improvement Project

Mike Sinowitz

(206) 386-4530

Acting Deputy Superintendent – Power Management Branch

System Control Center

Power Marketing Monthly

Power Marketing Real Time

Resource Administration

Automated Systems

Jesse Krail

(206) 615-1505

Deputy Superintendent – Distribution Branch

Systems Engineering

North Electric Service

South Electric Service

Central Electric Service

Power Stations

Distribution Program Management

Apprenticeship Office

Joan Walters

(206) 684-3361

Deputy Superintendent – Customer Services Branch

Account Executives

Account Services

Energy Management Services

Hearing Officer

Jim Ritch

(206) 386-4500

Deputy Superintendent – Finance and Administration
Branch

Finance

Facilities Management

Information Technology

Nancy Glaser

(206) 684-3125

Director of Strategic Planning and Environment and Safety

Bill Kolden

(206) 684-3125

Director of Human Resources

Bob Royer

(206) 615-0050

Director of Communications and Public Affairs